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HKEX

香港交易所

香港交易及結算所有限公司

HONG KONG EXCHANGES AND CLEARING LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 388)

Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

(Unaudited)

As at 17 August 2022, the Board of Directors of Hong Kong Exchanges and Clearing Limited (HKEX or the Company) comprises 12 Independent Non-executive Directors, namely Mrs Laura May-Lung CHA (Chairman), Mr Nicholas Charles ALLEN, Mr Apurv BAGRI, Mr CHEAH Cheng Hye, Ms CHEUNG Ming Ming, Anna, Mrs CHOW WOO Mo Fong, Susan, Mr Rafael GIL-TIENDA, Mr HUNG Pi Cheng, Benjamin, Ms LEUNG Nisa Bernice Wing-Yu, Mr LEUNG Pak Hon, Hugo, Mr YIU Kin Wah, Stephen and Mr ZHANG Yichen, and one Executive Director, Mr Alejandro Nicolas AGUZIN, who is also the Chief Executive of HKEX.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Trading fees and trading tariffs	4	3,553	4,124
Clearing and settlement fees		2,291	2,672
Stock Exchange listing fees		994	1,067
Depository, custody and nominee services fees		647	889
Market data fees		546	512
Other revenue		757	786
Revenue		8,788	10,050
Investment income		299	796
Interest rebates to Participants		(210)	(22)
Net investment income	5	89	774
HKEX Foundation donation income		37	74
Sundry income		23	11
Revenue and other income		8,937	10,909
Less: Transaction-related expenses	6	(87)	(81)
Revenue and other income less transaction-related expenses		8,850	10,828
Operating expenses			
Staff costs and related expenses	7	(1,667)	(1,495)
Information technology and computer maintenance expenses		(363)	(338)
Premises expenses		(58)	(57)
Product marketing and promotion expenses		(50)	(36)
Professional fees		(77)	(48)
HKEX Foundation charitable donations		(56)	(69)
Other operating expenses		(185)	(178)
		(2,456)	(2,221)
EBITDA*		6,394	8,607
Depreciation and amortisation		(717)	(662)
Operating profit		5,677	7,945
Finance costs	8	(73)	(77)
Share of profits less losses of joint ventures		42	38
Profit before taxation		5,646	7,906
Taxation	9	(817)	(1,317)
Profit for the period		4,829	6,589
Profit/(loss) attributable to:			
- Shareholders of HKEX		4,836	6,610
- Non-controlling interests		(7)	(21)
Profit for the period		4,829	6,589
Basic earnings per share	10(a)	\$3.82	\$5.22
Diluted earnings per share	10(b)	\$3.82	\$5.21

* EBITDA represents earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint ventures.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Profit for the period	4,829	6,589
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries	66	29
Cash flow hedges, net of tax	(17)	(2)
Changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(247)	10
Other comprehensive (loss)/income	(198)	37
Total comprehensive income	4,631	6,626
Total comprehensive income/(loss) attributable to:		
- Shareholders of HKEX	4,642	6,646
- Non-controlling interests	(11)	(20)
Total comprehensive income	4,631	6,626

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	At 30 Jun 2022			At 31 Dec 2021		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Assets							
Cash and cash equivalents	12	209,501	-	209,501	181,361	-	181,361
Financial assets measured at fair value through profit or loss	12	169,507	940	170,447	99,915	946	100,861
Financial assets measured at fair value through other comprehensive income	12	13,459	-	13,459	9,755	-	9,755
Financial assets measured at amortised cost	12	70,057	216	70,273	51,302	526	51,828
Accounts receivable, prepayments and deposits	13	26,677	21	26,698	32,717	21	32,738
Tax recoverable		-	-	-	19	-	19
Interests in joint ventures		-	262	262	-	244	244
Goodwill and other intangible assets		-	18,997	18,997	-	18,972	18,972
Fixed assets		-	1,590	1,590	-	1,605	1,605
Right-of-use assets		-	1,750	1,750	-	1,896	1,896
Deferred tax assets		-	69	69	-	25	25
Total assets		489,201	23,845	513,046	375,069	24,235	399,304
Liabilities and equity							
Liabilities							
Financial liabilities at fair value through profit or loss	14	161,520	-	161,520	91,424	-	91,424
Margin deposits, Mainland security and settlement deposits, and cash collateral from Clearing Participants	15	249,451	-	249,451	203,536	-	203,536
Accounts payable, accruals and other liabilities	16	19,877	-	19,877	28,335	-	28,335
Deferred revenue		747	351	1,098	1,100	354	1,454
Taxation payable		1,542	-	1,542	1,153	-	1,153
Other financial liabilities		39	-	39	513	-	513
Participants' contributions to Clearing House Funds	17	26,487	-	26,487	19,182	-	19,182
Lease liabilities		300	1,592	1,892	299	1,760	2,059
Borrowings	18	340	88	428	340	86	426
Provisions		108	96	204	82	98	180
Deferred tax liabilities		-	1,082	1,082	-	1,132	1,132
Total liabilities		460,411	3,209	463,620	345,964	3,430	349,394
Equity							
Share capital	19			31,896			31,896
Shares held for Share Award Scheme	19			(861)			(901)
Employee share-based compensation reserve	20			429			306
Hedging and revaluation reserves				(249)			15
Exchange reserve				(47)			(117)
Designated reserves	21			624			623
Reserve relating to written put options to non-controlling interests				(369)			(369)
Retained earnings				17,730			18,173
Equity attributable to shareholders of HKEX				49,153			49,626
Non-controlling interests				273			284
Total equity				49,426			49,910
Total liabilities and equity				513,046			399,304
Net current assets				28,790			29,105

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Attributable to shareholders of HKEX									
	Share capital and shares held for Share Award Scheme (note 19) \$m	Employee share-based compensation reserve (note 20) \$m	Hedging and revaluation reserves \$m	Exchange reserve \$m	Designated reserves (note 21) \$m	Reserve relating to written put options to non-controlling interests \$m	Retained earnings \$m	Total \$m	Non- controlling interests \$m	Total equity \$m
At 1 Jan 2022	30,995	306	15	(117)	623	(369)	18,173	49,626	284	49,910
Profit for the period	-	-	-	-	-	-	4,836	4,836	(7)	4,829
Other comprehensive income	-	-	(264)	70	-	-	-	(194)	(4)	(198)
Total comprehensive income	-	-	(264)	70	-	-	4,836	4,642	(11)	4,631
Total transactions with shareholders of HKEX, recognised directly in equity:										
- 2021 second interim dividend at \$4.18 per share	-	-	-	-	-	-	(5,290)	(5,290)	-	(5,290)
- Unclaimed HKEX dividends forfeited	-	-	-	-	-	-	15	15	-	15
- Shares purchased for Share Award Scheme	(42)	-	-	-	-	-	-	(42)	-	(42)
- Vesting of shares of Share Award Scheme	82	(81)	-	-	-	-	(1)	-	-	-
- Employee share-based compensation benefits	-	204	-	-	-	-	-	204	-	204
- UK tax relating to Share Award Scheme	-	-	-	-	-	-	(2)	(2)	-	(2)
- Transfer of reserves	-	-	-	-	1	-	(1)	-	-	-
	40	123	-	-	1	-	(5,279)	(5,115)	-	(5,115)
At 30 Jun 2022	31,035	429	(249)	(47)	624	(369)	17,730	49,153	273	49,426

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Cash flows from principal operating activities			
Net cash inflow from principal operating activities	22	6,778	8,030
Cash flows from other operating activities			
Net redemption from/(payments to) external fund managers for sales/(purchases) of financial assets measured at fair value through profit or loss		90	(1,450)
Net cash inflow from operating activities		6,868	6,580
Cash flows from investing activities			
Payments for purchases of fixed assets and intangible assets		(616)	(720)
Net (decrease)/increase in financial assets of Corporate Funds:			
(Increase)/decrease in time deposits with original maturities more than three months		(1,097)	1,268
Proceeds received upon maturity of financial assets measured at amortised cost (excluding time deposits)		302	79
Payments for purchases of financial assets measured at amortised cost (excluding time deposits)		(813)	(305)
Payments for financial assets measured at fair value through profit or loss		-	(249)
Interest received from financial assets measured at fair value through other comprehensive income		59	21
Dividend received from a joint venture		24	-
Net cash (outflow)/inflow from investing activities		(2,141)	94
Cash flows from financing activities			
Purchases of shares for Share Award Scheme		(42)	(331)
Payments of other finance costs		(35)	(34)
Dividends paid to shareholders of HKEX		(5,313)	(5,620)
Lease payments			
- Capital elements		(152)	(157)
- Interest elements		(36)	(41)
Net cash outflow from financing activities		(5,578)	(6,183)
Net (decrease)/increase in cash and cash equivalents		(851)	491
Cash and cash equivalents at 1 Jan		12,398	10,442
Exchange differences on cash and cash equivalents		(12)	5
Cash and cash equivalents at 30 Jun		11,535	10,938
Analysis of cash and cash equivalents			
Cash on hand and balances and deposits with banks and short-term investments of Corporate Funds	12	12,076	11,416
Less: Cash reserved for supporting Skin-in-the-Game and default fund credits of clearing houses	12(b)	(541)	(478)
		11,535	10,938

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation

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

The financial information relating to the year ended 31 December 2021 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2022 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 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

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

2. Accounting Policies

These unaudited condensed consolidated financial statements should be read in conjunction with the 2021 annual consolidated financial statements. Except as described below, the accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2021.

(a) Adoption of new/revised Hong Kong Financial Reporting Standards (HKFRSs)

In 2022, the Group has adopted the following amendments to HKFRSs which are pertinent to the Group's operations:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Business combinations: Reference to the Conceptual Framework ²
Amendments to HKFRS 16	Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Annual Improvements to HKFRSs 2018-2020:	
Amendments to HKFRS 9	Financial Instruments: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities ²
Amendments to Illustrative Examples accompanying HKFRS 16	Leases: Lease Incentives ²

1 Effective for accounting periods beginning on or after 1 April 2021

2 Effective for accounting periods beginning on or after 1 January 2022

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

2. Accounting Policies (continued)

(b) Change in accounting estimates

During the six months ended 30 June 2022, the estimated useful lives of the other computer hardware and software within fixed assets were revised from “three years” to “three to five years” to better reflect the useful life of the assets. The effect of the change in accounting estimate during the period was a decrease in depreciation charge of \$17 million.

3. Operating Segments

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

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

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

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

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

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

3. Operating Segments (continued)

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

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

Central income (including net investment income of Corporate Funds and HKEX Foundation donation income) and central costs (including costs of central support functions that provide services to all operating segments, HKEX Foundation charitable donations and other costs not directly related to any operating 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 2022						
	Cash	Equity and Financial Derivatives	Commodities	Post Trade	Technology	Corporate Items	Group
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Timing of revenue recognition:							
Point in time	1,799	1,045	547	2,933	32	1	6,357
Over time	831	605	145	332	515	3	2,431
Revenue	2,630	1,650	692	3,265	547	4	8,788
Net investment income/(loss)	-	-	-	467	-	(378)	89
HKEX Foundation donation income	-	-	-	-	-	37	37
Sundry income	-	-	5	12	4	2	23
Revenue and other income	2,630	1,650	697	3,744	551	(335)	8,937
Less: Transaction-related expenses	-	(82)	-	(5)	-	-	(87)
Revenue and other income less transaction-related expenses	2,630	1,568	697	3,739	551	(335)	8,850
Operating expenses	(353)	(348)	(346)	(464)	(150)	(795)	(2,456)
Reportable segment EBITDA	2,277	1,220	351	3,275	401	(1,130)	6,394
Depreciation and amortisation	(97)	(78)	(163)	(181)	(40)	(158)	(717)
Finance costs	(6)	(5)	(3)	(31)	(1)	(27)	(73)
Share of profits less losses of joint ventures	42	-	-	-	-	-	42
Reportable segment profit before taxation	2,216	1,137	185	3,063	360	(1,315)	5,646

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

3. Operating Segments (continued)

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: (continued)

	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

4. Trading Fees and Trading Tariffs

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Equity securities traded on the Stock Exchange and through Stock Connect	1,791	2,392
DWs, CBBCs and warrants traded on the Stock Exchange	349	412
Futures and options contracts traded on the Stock Exchange and the Futures Exchange	910	795
Base, ferrous, and precious metals futures and options contracts traded on the LME and QME	503	525
	3,553	4,124

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

5. Net Investment Income

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Gross interest income from financial assets measured at amortised cost	735	438
Gross interest income from financial assets measured at fair value through other comprehensive income	59	21
Interest rebates to Participants	(210)	(22)
Net interest income	584	437
Net (losses)/gains 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	(511)	321
- other investments	(12)	4
	(523)	325
Others	28	12
Net investment income	89	774

6. Transaction-related Expenses

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

7. Staff Costs and Related Expenses

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Salaries and other short-term employee benefits	1,361	1,261
Employee share-based compensation benefits of HKEX Share Award Scheme (Share Award Scheme)	204	137
Termination benefits	4	6
Retirement benefit costs (note (a))	98	91
	1,667	1,495

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

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

8. Finance Costs

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Interest on borrowings	2	2
Interest on lease liabilities	36	41
Banking facility commitment fees	25	26
Negative interest on Euro and Japanese Yen deposits	10	8
	73	77

9. Taxation

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

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Current tax - Hong Kong Profits Tax	771	1,080
Current tax - Overseas Tax	85	99
Total current tax	856	1,179
Deferred tax (note (b))	(39)	138
Taxation charge	817	1,317

- (a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2021: 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 (2021: 19 per cent).
- (b) Through the enactment of the Finance Act 2021 in June 2021, the UK Corporate Tax rate will 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 to the consolidated income statement during the six months ended 30 June 2021.

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

10. Earnings Per Share

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

(a) Basic earnings per share

	Six months ended 30 Jun 2022	Six months ended 30 Jun 2021
Profit attributable to shareholders (\$m)	4,836	6,610
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,265,460	1,265,672
Basic earnings per share (\$)	3.82	5.22

(b) Diluted earnings per share

	Six months ended 30 Jun 2022	Six months ended 30 Jun 2021
Profit attributable to shareholders (\$m)	4,836	6,610
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,265,460	1,265,672
Effect of shares awarded under Share Award Scheme (in '000)	1,996	1,879
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,267,456	1,267,551
Diluted earnings per share (\$)	3.82	5.21

11. Dividends

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Interim dividend declared of \$3.45 (2021: \$4.69) per share at 30 Jun	4,374	5,946
Less: Dividend for shares held by Share Award Scheme at 30 Jun	(8)	(12)
	4,366	5,934

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

12. Financial Assets

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m
Cash and cash equivalents	209,501	181,361
Financial assets measured at fair value through profit or loss	170,447	100,861
Financial assets measured at fair value through other comprehensive income	13,459	9,755
Financial assets measured at amortised cost	70,273	51,828
	463,680	343,805

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 2022 \$m	At 31 Dec 2021 \$m
<u>Cash for A-shares</u> (note (a))		
Cash and cash equivalents	-	7,372
<u>Corporate Funds</u>		
Cash and cash equivalents (note (b))	12,076	12,900
Financial assets measured at fair value through profit or loss	8,927	9,437
Financial assets measured at amortised cost (note (b))	12,946	11,457
	33,949	33,794
<u>Margin Funds</u> ¹		
Cash and cash equivalents	172,976	145,586
Financial assets measured at fair value through other comprehensive income	10,636	5,283
Financial assets measured at amortised cost	57,327	40,371
	240,939	191,240
<u>Clearing House Funds</u> (note 17)		
Cash and cash equivalents	24,449	15,503
Financial assets measured at fair value through other comprehensive income	2,823	4,472
	27,272	19,975
<u>Metals derivatives contracts</u>		
Financial assets measured at fair value through profit or loss (note (d))	161,520	91,424
	463,680	343,805

1 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to China Securities Depository and Clearing Corporation Limited (ChinaClear) and margin receivable from Clearing Participants of \$8,512 million (31 December 2021: \$12,764 million), which are included in accounts receivable, prepayments and deposits

12. Financial Assets (continued)

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

	At 30 Jun 2022						At 31 Dec 2021					
	Cash for A-shares	Corporate Funds	Margin Funds	Clearing House Funds	Metals derivatives contracts	Total	Cash for A-shares	Corporate Funds	Margin Funds	Clearing House Funds	Metals derivatives contracts	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Within twelve months	-	32,793	240,939	27,272	161,520	462,524	7,372	32,322	191,240	19,975	91,424	342,333
Over twelve months	-	1,156	-	-	-	1,156	-	1,472	-	-	-	1,472
	-	33,949	240,939	27,272	161,520	463,680	7,372	33,794	191,240	19,975	91,424	343,805

- (a) Cash for A-shares includes:
- (i) Renminbi (RMB) cash prepayments received by HKSCC from its Clearing Participants for releasing their allocated A-shares on the trade day. Such prepayments will be used to settle HKSCC's Continuous Net Settlement (CNS) obligations payable on the next business day; and
 - (ii) Hong Kong Dollar/ United States Dollar cash collateral received by HKSCC from its Clearing Participants for releasing their allocated A-shares on the trade day. Such collateral will be refunded to the Clearing Participants when they settle their RMB CNS obligations on the next business day.
- (b) At 30 June 2022, cash and cash equivalents of Corporate Funds of \$541 million (31 December 2021: \$502 million) and financial assets measured at amortised cost of Corporate Funds of \$653 million (31 December 2021: \$765 million) were solely used to support Skin-in-the-Game and default fund credits for HKSCC Guarantee Fund, SEOCH Reserve Fund and HKCC Reserve Fund (note 17(a)).
- (c) The cash and cash equivalents of Margin Funds, Clearing House Funds, Corporate Funds reserved for supporting Skin-in-the-Game and default fund credits of Clearing House Funds (note (b)), and Cash for A-shares are held for specific purposes and cannot be used by the Group to finance other activities. These balances are not included in cash and cash equivalents of the Group for cash flow purpose in the condensed consolidated statement of cash flows.
- (d) Metals derivatives contracts represent the fair value of outstanding base, ferrous, and precious metals futures and options contracts cleared through LME Clear that do not qualify for netting under HKAS 32: Financial Instruments: Presentation, where LME Clear is acting in its capacity as a central counterparty to the contracts traded on the LME. A corresponding amount has been recognised under financial liabilities at fair value through profit or loss (note 14).

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

13. Accounts Receivable, Prepayments and Deposits

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m
The breakdown of accounts receivable, prepayments and deposits, net of provision for impairment losses, are as follows:		
CNS money obligations receivable	16,088	17,921
Settlement Reserve Fund and Settlement Guarantee Fund held by ChinaClear	8,511	12,757
Other receivables, prepayments and deposits	2,099	2,060
	26,698	32,738

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

14. Financial Liabilities at Fair Value through Profit or Loss

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m
<u>Held by LME Clear in its capacity as a central counterparty</u>		
Derivative financial instruments:		
- base, ferrous, and precious metals futures and options contracts cleared through LME Clear (note 12(d))	161,520	91,424

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

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m
Margin deposits, Mainland security and settlement deposits, and cash collateral from Clearing Participants comprised:		
SEOCH Clearing Participants' margin deposits	17,596	21,051
HKCC Clearing Participants' margin deposits	83,668	56,840
HKSCC Clearing Participants' margin deposits, Mainland security and settlement deposits, and cash collateral	25,988	24,353
OTC Clear Clearing Participants' margin deposits	13,289	7,211
LME Clear Clearing Participants' margin deposits	108,910	94,081
	249,451	203,536

16. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represent the Group's CNS money obligations payable, which accounted for 81 per cent (31 December 2021: 89 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

17. Clearing House Funds

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m
The Clearing House Funds comprised:		
Clearing Participants' cash contributions	26,487	19,182
Contribution to OTC Clear Rates and FX Guarantee Resources	156	156
Clearing House Funds reserves (note 21)	610	612
	27,253	19,950
The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds:		
Financial assets of Clearing House Funds (note 12)	27,272	19,975
Less: Other financial liabilities of Clearing House Funds	(19)	(25)
	27,253	19,950
The Clearing House Funds comprised the following Funds:		
HKSCC Guarantee Fund	4,734	4,552
SEOCH Reserve Fund	1,363	1,851
HKCC Reserve Fund	1,762	2,055
OTC Clear Rates and FX Guarantee Fund	2,878	2,778
OTC Clear Rates and FX Guarantee Resources	172	171
LME Clear Default Fund	16,344	8,543
	27,253	19,950

- (a) Contributions by HKSCC, SEOCH and HKCC to their respective default funds (Skin-in-the-Game) are set at 10 per cent of the size of the respective funds, and such contributions, together with default fund credits granted to HKSCC and HKCC Participants, are included in Corporate Funds. At 30 June 2022, the Skin-in-the-Game and default fund credits amounted to \$1,194 million (31 December 2021: \$1,267 million) (note 12(b)).

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

18. Borrowings

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m
Written put options to non-controlling interests	428	426
Analysed as:		
Non-current liabilities	88	86
Current liabilities	340	340
	428	426

During the six months ended 30 June 2022, none of the written put options was exercised.

19. Share Capital and Shares Held for Share Award Scheme

Issued and fully paid – ordinary shares with no par:

	Number of shares '000	Number of shares held for Share Award Scheme '000	Share capital \$m	Shares held for Share Award Scheme \$m	Total \$m
At 1 Jan 2021	1,267,837	(1,983)	31,891	(485)	31,406
Shares purchased for Share Award Scheme (note (a))	-	(1,455)	-	(681)	(681)
Vesting of shares of Share Award Scheme (note (b))	-	1,067	5	265	270
At 31 Dec 2021	1,267,837	(2,371)	31,896	(901)	30,995
At 1 Jan 2022	1,267,837	(2,371)	31,896	(901)	30,995
Shares purchased for Share Award Scheme (note (a))	-	(115)	-	(42)	(42)
Vesting of shares of Share Award Scheme (note (b))	-	187	-	82	82
At 30 Jun 2022	1,267,837	(2,299)	31,896	(861)	31,035

- (a) During the six months ended 30 June 2022, the Share Award Scheme acquired 115,300 HKEX shares (year ended 31 December 2021: 1,454,300 shares) through purchases on the open market. The total amount paid to acquire the shares during the period was \$42 million (year ended 31 December 2021: \$681 million).
- (b) During the six months ended 30 June 2022, a total of 187,040 HKEX shares (year ended 31 December 2021: 1,066,959 shares) were vested, of which 108,024 shares were for the HKEX's Chief Executive Officer (year ended 31 December 2021: Nil). The total cost of the vested shares was \$82 million (year ended 31 December 2021: \$265 million). During the year ended 31 December 2021, \$5 million was credited to share capital in respect of vesting of certain shares whose fair values were higher than the costs.

20. Employee Share-based Arrangements

The Group operates the Share Award Scheme as part of the benefits of its employees. It allows shares to be granted to employees of the Group, including the Executive Director (Employee Share Awards).

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

During the six months ended 30 June 2022, details of Employee Share Awards awarded are set out below:

Date of award	Number of shares awarded	Average fair value per share \$	Vesting period
25 Feb 2022	1,600	388.90	17 May 2022 – 17 May 2024
25 Feb 2022	9,300	388.86	10 Jan 2023 – 10 Jan 2025
3 Mar 2022	42,600	366.83	28 Feb 2025
9 Mar 2022	827,630 ^{1,2}	456.07	7 Dec 2023 – 7 Dec 2024
29 Apr 2022	8,100	338.55	1 Sep 2022 – 1 Sep 2024
9 Jun 2022	21,800	357.93	13 Jan 2023 – 31 Dec 2025
13 Jun 2022	5,400	342.99	7 Feb 2023 – 11 Feb 2025

1 162,003 shares were awarded by re-granting the forfeited or unallocated shares held by the Share Award Scheme

2 84,603 shares were awarded to HKEX's Chief Executive Officer

21. Designated Reserves

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

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m
Clearing House Funds reserves (notes (a) and 17)	610	612
PRC statutory reserve	14	11
	624	623

(a) Clearing House Funds reserves

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m
HKSCC Guarantee Fund reserve	159	165
SEIOCH Reserve Fund reserve	114	114
HKCC Reserve Fund reserve	245	244
OTC Clear Rates and FX Guarantee Fund reserve	77	74
OTC Clear Rates and FX Guarantee Resources reserve	15	15
	610	612

22. Notes to the Condensed Consolidated Statement of Cash Flows

Reconciliation of profit before taxation to net cash inflow from principal operating activities:

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Profit before taxation	5,646	7,906
Adjustments for:		
Net interest income	(584)	(437)
Net fair value losses/(gains) on financial assets mandatorily measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	523	(325)
Finance costs	73	77
Depreciation and amortisation	717	662
Employee share-based compensation benefits	204	137
Share of profits less losses of joint ventures	(42)	(38)
Other non-cash adjustments	(20)	12
Net increase in financial assets of Margin Funds	(45,742)	(4,340)
Net increase in financial liabilities of Margin Funds	45,447	4,352
Net increase in Clearing House Fund financial assets	(7,301)	(1,114)
Net increase in Clearing House Fund financial liabilities	7,299	1,120
Decrease in cash prepayments and collateral for A-shares	7,372	6,212
Decrease in Corporate Funds used for supporting Skin-in-the-Game and default fund credits	73	154
Decrease in accounts receivable, prepayments and deposits	1,671	19,425
Decrease in other liabilities	(8,634)	(25,595)
Net cash inflow from principal operations	6,702	8,208
Interest received from financial assets measured at amortised cost and cash and cash equivalents	735	438
Interest paid to Participants	(210)	(22)
Income tax paid	(449)	(594)
Net cash inflow from principal operating activities	6,778	8,030

23. Capital Expenditures and Commitments

During the six months ended 30 June 2022, the Group incurred capital expenditures of \$478 million (2021: \$536 million).

At 30 June 2022, the Group's commitments in respect of capital expenditure were as follows:

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m
Contracted but not provided for:		
- fixed assets	52	21
- intangible assets	204	175
Authorised but not contracted for:		
- fixed assets	215	361
- intangible assets	194	258
	665	815

24. Contingent Liabilities

At 30 June 2022, 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 2021: \$71 million). Up to 30 June 2022, 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 623 trading Participants (31 December 2021: 638) covered by the indemnity at 30 June 2022 defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$125 million (31 December 2021: \$128 million).
- (c) HKEX had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEX or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEX, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEX, and for the costs of winding up.

24. Contingent Liabilities (continued)

(d) Material litigation

At 30 June 2022, the LME and LME Clear have been named as defendants in two judicial review claims filed in the English High Court.

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

The claims seek to challenge the LME's decision to cancel the claimants' alleged trades in nickel contracts executed on or after 00:00 UK time on 8 March 2022. The claimants have alleged that this was unlawful on public law grounds and/or constituted a violation of their human rights.

As the judicial reviews are still at an early stage, the LME does not currently have sufficient information to estimate the financial effect (if any) of the claims, the timing of the ultimate resolution of the proceedings, or what the eventual outcomes might be. However, the LME management is of the view that the claims are without merit and the LME will contest them vigorously. Accordingly, no provision has been made in these condensed consolidated financial statements.

25. Material Related Party Transactions

(a) Key management personnel compensation

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Salaries and other short-term employee benefits	77	60
Employee share-based compensation benefits	89	35
Retirement benefit costs	4	3
	170	98

(b) Post-retirement benefit plans

The Group has sponsored an ORSO Plan and the LME Pension Scheme as its post-retirement benefit plans (note 7(a)).

26. Pledges of Assets

LME Clear receives securities and gold bullion as non-cash collateral for margins posted by its Clearing Participants. The total fair value of this non-cash collateral was US\$1,081 million (HK\$8,483 million) at 30 June 2022 (31 December 2021: US\$971 million (HK\$7,570 million)). LME Clear is obliged to return this non-cash collateral upon request when the Clearing Participants' collateral obligations have been substituted with cash collateral or otherwise discharged. LME Clear is permitted to sell or pledge such collateral in the event of the default of a Clearing Participant. Any non-cash collateral lodged at central securities depositories or custodians is subject to a lien or pledge for the services they provide in respect of the collateral held.

LME Clear also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$15,485 million (HK\$121,510 million) at 30 June 2022 (31 December 2021: US\$13,513 million (HK\$105,351 million)). Such non-cash collateral, together with certain financial assets amounting to US\$791 million (HK\$6,205 million) at 30 June 2022 (31 December 2021: US\$400 million (HK\$3,117 million)), have been pledged to LME Clear's investment agents and custodian banks under security arrangements for the settlement and depository services they provide in respect of the collateral and investments held.

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

27. Capital Management

At 30 June 2022, the Group had set aside \$4,000 million (31 December 2021: \$4,000 million) of shareholders' funds for the purpose of supporting the risk management regime of the clearing houses in their roles as central counterparties, of which \$2,160 million (31 December 2021: \$2,160 million) had been injected into HKSCC, SEOCH and HKCC as share capital.

28. Fair Value of Financial Assets and Financial Liabilities

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

The following tables present the carrying values of financial assets and financial liabilities measured at fair value according to the levels of the fair value hierarchy defined in HKFRS 13: Fair Value Measurement, with the fair value of each financial asset and financial liability categorised based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair values measured using valuation techniques in which all significant inputs other than quoted prices included within Level 1 are directly or indirectly based on observable market data.
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

Recurring fair value measurements:	At 30 Jun 2022				At 31 Dec 2021			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets								
Financial assets measured at fair value through profit or loss:								
- collective investment schemes	1,081	7,175	-	8,256	1,680	7,063	-	8,743
- equity securities	-	-	671	671	-	-	694	694
- base, ferrous, and precious metals futures and options contracts cleared through LME Clear	-	161,520	-	161,520	-	91,424	-	91,424
Financial assets measured at fair value through other comprehensive income:								
- debt securities	10,517	2,942	-	13,459	7,750	2,005	-	9,755
	11,598	171,637	671	183,906	9,430	100,492	694	110,616
Financial liabilities								
Financial liabilities at fair value through profit or loss:								
- base, ferrous, and precious metals futures and options contracts cleared through LME Clear	-	161,520	-	161,520	-	91,424	-	91,424

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

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

During the six months ended 30 June 2022 and 30 June 2021, there were no transfers of instruments between Level 1 and Level 2 or transfer into or out of Level 3.

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

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

Fair value measurements using significant unobservable inputs (Level 3)

	2022 \$m	2021 \$m
At 1 Jan	694	220
Investment in minority stakes in unlisted companies	-	349
(Losses)/gains recognised in profit or loss	(12)	121
(Losses)/gains recognised in other comprehensive income	(11)	4
At 30 Jun 2022 / 31 Dec 2021	671	694
Total losses or gains recognised for the period / year in the condensed consolidated income statement for assets held at 30 Jun 2022 / 31 Dec 2021	(12)	121

Level 3 valuations are prepared on bi-annually basis, at each interim and annual reporting date. The assumptions and inputs to the valuation model, the valuation techniques and the valuation results are reviewed and approved by management.

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

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

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

Description	Fair value		Valuation technique	Unobservable inputs	Range
	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m			
Minority stake in Fusion Bank Limited	200	200	Market approach ¹	N/A	N/A
Minority stake in Huakong TsingJiao Information Science (Beijing) Limited	225	236	Market approach ¹	N/A	N/A
Minority stake in Guangzhou Futures Exchange	246	258	Market approach ¹	N/A	N/A
Total	671	694			

1 The fair value is estimated based on the analysis of the investment's financial position and results, prospects and other factors and by reference to recent market transactions.

Fusion Bank Limited has a virtual banking license granted by the Hong Kong Monetary Authority. The investment is not traded in an active market. The company launched its virtual banking platform in 2020, offering a variety of banking services including savings, time deposits, fund transfers and foreign exchange.

Huakong TsingJiao Information Science (Beijing) Limited is a data technology company, which specialises in the research and development of multi-party computation technologies, allowing collaborative data analysis without revealing private data during the computation and analysis process. The investment is not traded in an active market.

Guangzhou Futures Exchange was officially launched in April 2021, and it seeks to become an innovative and market-oriented exchange with international influence, focusing on serving the real economy and green development initiatives. The investment is not traded in an active market.

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

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

Summarised in the following table are the carrying amounts and fair values of long-term financial assets and financial liabilities not presented in the condensed consolidated statement of financial position at their fair values, except for lease liabilities where disclosure of fair values is not required. These assets and liabilities were classified under Level 2 in the fair value hierarchy.

	At 30 Jun 2022		At 31 Dec 2021	
	Carrying amount in condensed consolidated statement of financial position \$m	Fair value \$m	Carrying amount in condensed consolidated statement of financial position \$m	Fair value \$m
Assets				
Financial assets measured at amortised cost:				
- debt securities maturing over one year ¹	117	117	429	429
- other financial assets maturing over one year ²	99	76	97	87
Liabilities				
Borrowings:				
- written put options to non-controlling interests ³	428	429	426	430
Financial guarantee to the Collector of Stamp Revenue ⁴	20	36	20	56

1 The fair values are provided by a reputable independent financial institution.

2 The fair values are based on cash flows discounted using Hong Kong Government bond rates of a tenor similar to the contractual maturity of the respective assets, adjusted by an estimated credit spread. The discount rates used ranged from 3.20 per cent to 3.70 per cent at 30 June 2022 (31 December 2021: 0.41 per cent to 1.45 per cent).

3 The fair values are based on cash flows discounted using the prevailing market interest rates for loans with similar credit rating and similar tenor of the respective loans. The discount rate used was 3.80 per cent at 30 June 2022 (31 December 2021: 1.70 per cent).

4 The fair values are based on the fees charged by financial institutions for granting such guarantees discounted to perpetuity using a ten-year Hong Kong Government bond rate, adjusted by an estimated credit spread, but capped at the maximum exposure of the financial guarantee. The discount rate used was 4.37 per cent at 30 June 2022 (31 December 2021: 2.84 per cent).

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