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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)

2022 INTERIM RESULTS, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

STRATEGIC AND FINANCIAL HIGHLIGHTS

Nicolas Aguzin, Chief Executive Officer said:

“Our results for the first half of 2022 reflect the resiliency and robustness of our business, set against a fragile global macro economic backdrop, ongoing geopolitical tensions, market volatility and the continued impact of the pandemic. Though our numbers were down on the record comparable results last year, reflecting this weak overall market sentiment, we have remained resolutely focused on building our business for the long-term, investing in new initiatives such as a new SPAC regime, ETF Connect and Swap Connect and market enhancements such as Derivatives Holiday Trading and a new VaR Platform. We have also continued to invest in talent, technology and our customer engagement, all central to our vision to create a Marketplace of the Future. We have a strong business, an exceptional team and a clear long-term strategy. We are confident we remain well-placed to capture opportunities ahead.”

Strategic & Operational Highlights

Corporate

- 12 Jan Signed new strategic cooperation agreement with Shenzhen Stock Exchange
- 29 Mar HKEX Corporate Day
- 21 Jun Re-opening of HKEX Connect Hall
- 27 Jun 22nd Anniversary of HKEX as a listed company

Products and Services

- 21 Feb First metaverse-themed ETF
- 24 Feb First pure-play Hong Kong equity ESG ETF
- 18 Mar First Special Purpose Acquisition Company
- 23 Mar First carbon futures ETF
- 25 Mar Announced IR Connect, launched on 7 July 2022
- 29 Apr QME launched new soybean contracts
- 19 May First Hong Kong Government retail green bond
- 24 May LME announced introduction of a range of new sustainability certifications on LMEpassport
- 27 May Detailed arrangements for inclusion of ETFs in Stock Connect announced, subsequent launch on 4 July 2022
- 13 Jun Introduced additional contract months for HSI Futures and HSCEI Futures
- 23 Jun First blockchain ETF

Market Operations

- 17 Mar Aligned all London Mini Futures price bands to 15 per cent with reference to T Session closing price
- 25 Apr Upgraded Electronic Communication Platform, enabling clients to exchange files with HKEX
- 3 May Volatility Control Mechanism expanded to cover Exchange Traded Products
- 9 May Commenced Derivatives Holiday Trading
- 2 Jun Published a consultation paper on Revising Position Limits and Large Open Position Reporting Requirements
- 13 Jun Launched new Value-at-Risk (VaR) Platform in the Cash Market
- 17 Jun Enhanced methodology to calculate the Official Settlement Price of physically-settled HSI Futures Options and HSCEI Futures Options

Regulation

- 22 Apr Published an information paper on ‘Rule Amendments on Bookbuilding and Placing Activities in Equity Capital Market Transactions and Sponsor Coupling to Complement the SFC’s New Code of Conduct Provisions and Housekeeping Rule Amendments’
- 29 Apr Launched Board Diversity & Inclusion in Focus Repository

Corporate Social Responsibility and ESG

- 24 Mar Signed Memorandum of Understanding with Guangzhou-based China Emissions Exchange to explore Greater Bay Area and international carbon opportunities
- 31 Mar Launched 2022 HKEX Impact Funding Scheme
- 16 May Launched 2022 HKEX Charity Partnership Programme
- 22 Jun Launched new HKEX Research Funding Scheme

Comparison of 1H 2022 with 1H 2021 Results

Financial Highlights

- 1H 2022 revenue and other income of \$8,937 million was 18 per cent lower than record 1H 2021
 - Core business revenue was down 11 per cent against 1H 2021, reflecting lower trading and clearing fees driven by lower Headline ADT, and lower depository fees from e-IPO applications
 - Net investment loss of Corporate Funds was \$378 million (1H 2021: income of \$428 million), due to net fair value losses on the externally-managed investment funds (External Portfolio) of \$511 million (1H 2021: gains of \$321 million), reflecting broader performance of global equity and fixed income markets
- Operating expenses were 11 per cent higher than 1H 2021, attributable to higher staff costs and professional fees, demonstrating our continued investment in talent, infrastructure and strategic initiatives
- EBITDA margin¹ was 72 per cent, 7 per cent lower than record 1H 2021
- Profit attributable to shareholders was \$4,836 million, 27 per cent lower than record 1H 2021

Key Financials

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m	Change
Revenue and other income			
Core business revenue	9,278	10,407	(11%)
HKEX Foundation donation income	37	74	(50%)
Net investment (loss)/income of Corporate Funds	(378)	428	N/A
	8,937	10,909	(18%)
Operating expenses	2,456	2,221	11%
EBITDA	6,394	8,607	(26%)
Profit attributable to shareholders	4,836	6,610	(27%)
Capital expenditure	478	536	(11%)
Basic earnings per share	\$3.82	\$5.22	(27%)
Interim dividend per share	\$3.45	\$4.69	(26%)

Key Market Statistics

	Six months ended 30 Jun 2022	Six months ended 30 Jun 2021	Change
ADT of equity products traded on the Stock Exchange ² (\$bn)	119.9	165.8	(28%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	18.4	22.4	(18%)
ADT traded on the Stock Exchange ^{2,3} (Headline ADT) (\$bn)	138.3	188.2	(27%)
ADT of Northbound Trading of Stock Connect ² (RMBbn)	103.9	114.4	(9%)
ADT of Southbound Trading of Stock Connect ² (\$bn)	33.2	48.1	(31%)
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	705	522	35%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	604	688	(12%)
Chargeable ADV ⁴ of metals contracts traded on the LME ('000 lots)	539	544	(1%)
ADT of Northbound Bond Connect (RMBbn)	31.2*	26.6	17%

* New record half-yearly high in 1H 2022

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

2 Includes buy and sell trades under Stock Connect

3 ADT of Southbound Trading is included within Headline ADT.

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

Comparison of Q2 2022 with Q2 2021 Results

Financial Highlights

- Core business revenue for Q2 2022 was 4 per cent lower than Q2 2021 due to lower Headline ADT and lower depository fees from e-IPO applications, but was partly offset by the increase in ADV of the Derivatives Markets and the increase in net investment income from Margin Funds and Clearing House Funds. Total revenue and other income, however, was 14 per cent lower than Q2 2021, as the External Portfolio recorded net fair value losses of \$322 million in Q2 2022 (Q2 2021: gains of \$162 million), reflecting weak sentiment across both equities and fixed income markets
- Operating expenses were up 14 per cent, attributable to higher staff costs reflecting investments in talent and higher recruitment costs
- In Q2 2021, 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 from 19 per cent to 25 per cent, effective from April 2023
- As a result, Q2 2022 profit attributable to shareholders of \$2,168 million was 22 per cent lower than Q2 2021

Key Financials

	Three months ended 30 Jun 2022 \$m	Three months ended 30 Jun 2021 \$m	Change
Revenue and other income			
Core business revenue	4,514	4,716	(4%)
HKEX Foundation donation income	7	28	(75%)
Net investment (loss)/income of Corporate Funds	(274)	209	N/A
	4,247	4,953	(14%)
Operating expenses	1,278	1,119	14%
EBITDA	2,921	3,798	(23%)
Profit attributable to shareholders	2,168	2,770	(22%)
Capital expenditure	288	205	40%
Basic earnings per share	\$1.71	\$2.19	(22%)

Key Market Statistics

	Three months ended 30 Jun 2022	Three months ended 30 Jun 2021	Change
ADT of equity products traded on the Stock Exchange ² (\$bn)	113.6	133.1	(15%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	16.1	18.2	(12%)
ADT traded on the Stock Exchange ^{2,3} (Headline ADT) (\$bn)	129.7	151.3	(14%)
ADT of Northbound Trading of Stock Connect ² (RMBbn)	101.8	101.0	1%
ADT of Southbound Trading of Stock Connect ² (\$bn)	30.9	35.3	(12%)
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	704	451	56%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	570	546	4%
Chargeable ADV ⁴ of metals contracts traded on the LME ('000 lots)	487	552	(12%)
ADT of Northbound Bond Connect (RMBbn)	29.7	27.8	7%

CHAIRMAN'S STATEMENT

In the first half of 2022, global financial markets were characterised by high levels of volatility and weak market sentiment, reflecting economic fragility, geopolitical tensions, including the war in Ukraine, inflationary pressures and the continuing impact of the pandemic. While HKEX was not immune to the impact of these, our organisation and our markets continued to demonstrate their robustness and resilience. Our purpose-driven business is fully focused on delivering our vision to build the Marketplace of the Future.

Amid the uncertain and volatile market conditions, the average daily turnover in Hong Kong's securities market (\$138.3 billion) decreased by 27 per cent from the half-yearly record high in the first half of 2021, while the average daily turnover of ETFs (\$9.7 billion) and the average daily volume of futures and options traded on the derivatives market (1,308,817 contracts) increased by 59 per cent and 8 per cent respectively. Despite a slowdown in IPO activity globally during the first six months of 2022, in Hong Kong our IPO pipeline remained strong. Stock Connect trading remained resilient during the first half of the year, while Northbound Bond Connect trading continued its strong track record of growth, with average daily turnover reaching RMB31.2 billion, up 17 per cent year-on-year.

The chargeable average daily volume of metals contracts traded on the LME was broadly in line with the same period last year. Following the unprecedented events in the nickel market in March 2022, the LME has been working closely with regulators and other stakeholders to put in place additional measures to promote market stability and enhance the efficiency and resilience of the market. Following the implementation of interim measures, such as the introduction of daily price limits, and following market consultation, the LME has announced introduction of new weekly OTC position reporting requirements and extended accountability levels to include OTC positions. An independent review of the nickel market events in March, undertaken by Oliver Wyman, is also under way.

For the six months ended 30 June 2022, the Group recorded total revenue and other income of \$8,937 million and profit attributable to shareholders of \$4,836 million, down 18 per cent and 27 per cent respectively from the record levels in prior year. The Board declared an interim dividend of \$3.45 per share, payable in cash.

On the product front, we have continued to enhance our mutual market connectivity and expand the breadth and diversity of our product ecosystem to reinforce Hong Kong's role as a premier global financial centre, connecting China and the world. The inclusion of eligible ETFs in Stock Connect since 4 July 2022 marked another milestone in our landmark mutual market access programmes, further deepening connectivity between Hong Kong and Mainland China's capital markets and supporting the continued development of the region's ETF ecosystem. With the rollout of the first blockchain ETF, first metaverse-themed ETF, first carbon futures ETF and first pure-play Hong Kong equity ESG ETF during the period, our ETF offering has strengthened and diversified, supporting Hong Kong's position as Asia's preferred ETF marketplace. Through our clearing subsidiary, OTC Clear, we were pleased to announce our partnership with China Foreign Exchange Trade System (CFETS) and Shanghai Clearing House to develop Swap Connect, a new mutual market access programme between Hong Kong and Mainland China's interbank interest rate swap markets.

To ensure that our market stays internationally competitive and attractive, we introduced a new SPAC route to market and enhanced HKEX's listing regime for overseas issuers on 1 January 2022. We are currently conducting a study on revising the listing requirements to meet the fundraising needs of specialist technology companies and will put forward proposals for market consultation as appropriate.

To reinforce HKEX's position as the region's pre-eminent international risk management and trading centre, we were pleased to launch holiday trading for non-Hong Kong dollar denominated futures and options in May 2022. We rolled out our new VaR Platform, with enhanced margining model, in June 2022 to strengthen the resilience of our securities clearing house and promote enhanced transparency and cost efficiency for HKEX market participants. We also launched a new digital investor relations platform, IR Connect, in July 2022, aiming to enhance and expand listed issuers' outreach to investors and the analyst community.

As a purpose-led organisation committed to the long-term prosperity of our whole community, we continue our commitment to our own sustainability journey and to furthering the net-zero transition in the region and beyond. In March 2022, HKEX partnered with the China Emissions Exchange to explore cooperation in tackling climate change and promoting green transformation and sustainable

growth of the Greater Bay Area through carbon finance. In July 2022, we established the Hong Kong International Carbon Market Council to gather insights on the development of a Hong Kong-based international carbon market, with best-in-class market infrastructure, products and services. At the LME, in May 2022 we added a range of new certifications and standards to our digital credentials register, LMEpassport, enabling more producers to report on a wide range of sustainability metrics. On the responsible sourcing front, the first reporting deadline for LME-listed brands to comply with the LME requirements, underpinned by the OECD Guidance requirements, was on 30 June 2022. This marked an important step forward in promoting responsible supply chains and underscoring the LME's central role in the global metals industry.

Within our organisation, we initiated a holistic in-depth review of the operating model of our Hong Kong business and operations in January 2022 ensuring that from a people, organisational and risk perspective that we have the optimum structure and foundations in place to deliver on our vision and our strategy. Throughout the period we also continued to expand our technological capabilities to maximise efficiencies and performance and drive client-centricity across our business and initiatives, both in support of our focus to move from an infrastructure-led to a more client-led organisation.

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

Through the work of HKEX Foundation, we continued to deepen our engagement and connectivity with our communities during the period. We launched a new funding scheme supporting innovative research projects in partnership with a number of Hong Kong's universities to help provide valuable insight into financial markets, ESG and our shared sustainable future. We also announced the scale up of the funding of our flagship Charity Partnership Programme to \$50 million in May 2022 to support those in need and to bring more meaningful and positive impact to our communities.

As we look forward, we are confident with our resilient business and our resolute focus on our strategic pillars – Connecting China and the World, Connecting Capital with Opportunities, and Connecting Today with Tomorrow – that we remain well placed to capitalise on the opportunities ahead and support the long-term sustainable development of our business, markets and communities. We look forward to working closely with our clients, partners, regulators and other stakeholders to further enhance the attractiveness and vibrancy of our markets and strengthen our leadership role in shaping the future of the region's global capital markets.

Finally, I would like to thank our shareholders and other valued stakeholders for their unwavering support and confidence, and our staff for their outstanding dedication and hard work, which together provide us with an excellent foundation for success in the next stage of our strategic journey.

Laura M CHA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Quarterly Results, Q1 2021 – Q2 2022

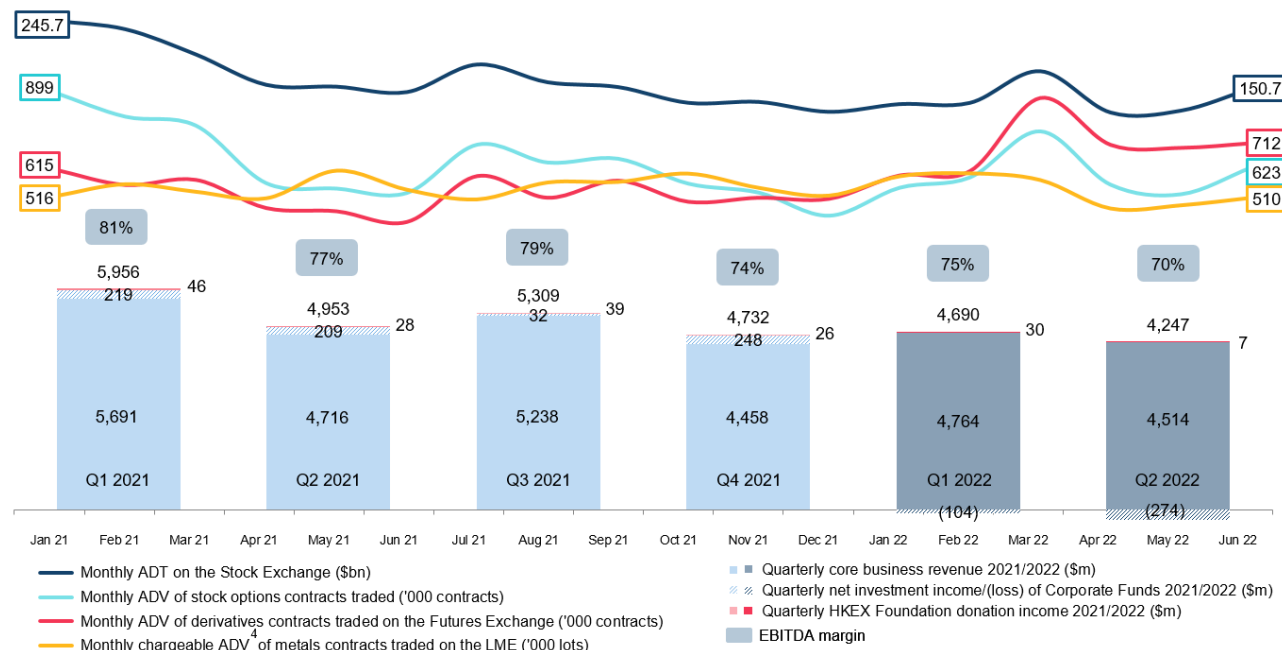


Fig. 1 – Market activity and Group's revenue and other income/(loss)

HKEX's businesses demonstrated robustness and resiliency in 1H 2022, despite global market volatility, geopolitical fragility, and the continued impact of the pandemic. Headline ADT was \$138.3 billion in 1H 2022, 27 per cent lower than the record 1H 2021, and 5 per cent lower than 2H 2021. Increased volatility and increasing demand for HKEX's newly launched derivatives products resulted in solid growth in derivatives contracts traded on HKFE in 1H 2022, with ADV 35 per cent higher than 1H 2021. During 1H 2022, 27 IPOs were listed on our market, reflecting the global market sentiment, but the IPO pipeline remained very strong, with 189 active applications as at 30 June 2022.

Core business revenue for 1H 2022 was \$9,278 million, 11 per cent lower than the record 1H 2021, due to lower trading and clearing fees from lower Headline ADT and lower depository fees from e-IPO applications. Affected by the broader performance of global equities and fixed income markets, HKEX's External Portfolio recorded net fair value losses of \$511 million during 1H 2022 (1H 2021: gains of \$321 million). As a result, total revenue and other income for 1H 2022 dropped by 18 per cent against 1H 2021. Operating expenses increased by 11 per cent against 1H 2021, mainly due to higher staff costs and professional fees.

For Q2 2022, core business revenue was 5 per cent lower than Q1 2022. This reflected the 11 per cent lower Headline ADT and 17 per cent decrease in LME chargeable ADV, and the decrease in Stock Exchange listing fees from the lower number of newly listed DWs and CBBCs; this was partly offset by the seasonal increase in depository fees and higher net investment returns of the Margin Funds. Total revenue and other income for Q2 2022 was \$4,247 million, 9 per cent lower than Q1 2022, due to the decrease in core business revenue and fair value losses of the External Portfolio (Q2 2022: losses of \$322 million; Q1 2022: losses of \$189 million).

Analysis of Results and Business Update by Operating Segment

	Six months ended 30 June 2022				Six months ended 30 June 2021			
	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	2,630	-	2,630	2,277	3,200	-	3,200	2,895
Equity and Financial Derivatives	1,650	(82)	1,568	1,220	1,731	(63)	1,668	1,331
Commodities	697	-	697	351	723	-	723	399
Post Trade	3,744	(5)	3,739	3,275	4,224	(18)	4,206	3,760
Technology	551	-	551	401	523	-	523	375
Corporate Items	(335)	-	(335)	(1,130)	508	-	508	(153)
	8,937	(87)	8,850	6,394	10,909	(81)	10,828	8,607

Cash Segment

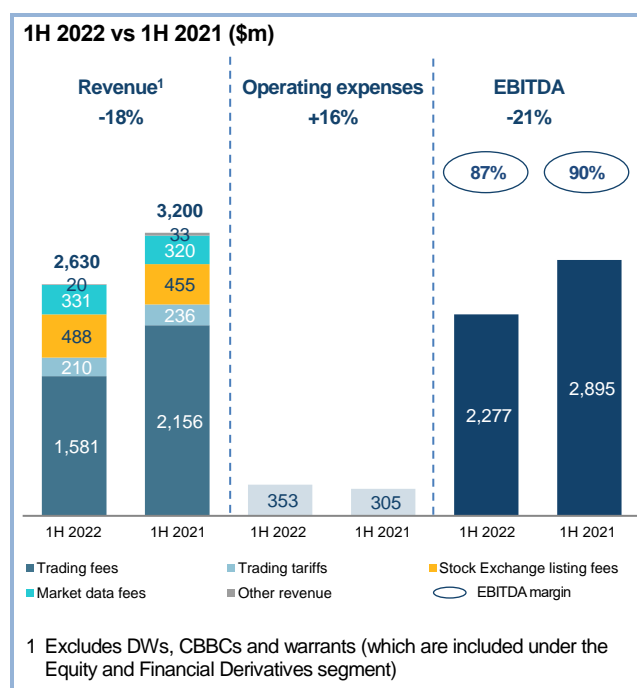
Analysis of Results

Revenue was down 18 per cent and EBITDA was down 21 per cent compared with 1H 2021.

Trading fees decreased by \$575 million, or 27 per cent compared with 1H 2021, attributable to the 28 per cent decrease in ADT of equity products traded on the Stock Exchange and the 9 per cent decrease in ADT of Northbound Stock Connect. Included in trading fees were Northbound Stock Connect trading fees of \$269 million (1H 2021: \$296 million) and Southbound Stock Connect trading fees of \$85 million (1H 2021: \$125 million). Trading tariffs dropped by 11 per cent, driven by the decrease in equity products traded.

Despite the drop in number of new IPOs during the period, Stock Exchange listing fees increased by \$33 million, mainly due to an increase in forfeitures.

Operating expenses increased by 16 per cent due to higher Listing Division allocated costs, reflecting higher listing fees from IPO forfeitures and lower listing fees from newly listed DWs and CBBCs.



Business Update

In 1H 2022, the trading activities of the Hong Kong securities market were at a similar level to 2H 2021, with Headline ADT marginally down by 5 per cent. As compared with 1H 2021, Headline ADT saw a 27 per cent decrease, as the trading activities were exceptionally buoyant in Q1 2021.

Stock Connect operated smoothly and resiliently in 1H 2022, with Northbound and Southbound ADT at RMB103.9 billion and \$33.2 billion respectively. During 1H 2022, Stock Connect generated revenue and other income of \$1,185 million (1H 2021: \$1,320 million), of which \$879 million (1H 2021: \$1,018 million) arose from trading and clearing activities.

Following the joint announcement made by the China Securities Regulatory Commission (CSRC) and the SFC on 27 May 2022, ETFs were included in Stock Connect on 4 July 2022. The inclusion supports the development of the ETF ecosystem in both Hong Kong and Mainland China, meeting the growing investor demand for a broader range of products and further facilitating the two-way opening up of regional capital markets.

The Hong Kong IPO market was relatively quiet during 1H 2022 reflecting global market sentiment, in particular economic fragility, geopolitical events and the continuing impact of the pandemic. In 1H 2022, HKEX welcomed 27 listings raising \$19.7 billion, down 91 per cent compared with 1H 2021. Following the introduction of the listing regime for special purpose acquisition companies (SPACs), HKEX welcomed two SPAC listings in 1H 2022, raising a total of \$2.0 billion. HKEX's IPO pipeline remained very strong throughout, with 189 active applications including 11 SPAC applications as at 30 June 2022, providing optimism for a resumption in primary activity as sentiment improves. In June 2022, we welcomed Zai Lab as the first company to convert from a secondary listing to a primary listing on the Main Board. Alibaba and Bilibili also announced their plans for conversion by the end of 2022. This underpins Hong Kong's role as a preferred and attractive market for homecoming issuers.

On 7 July 2022, HKEX launched a new digital investor relations platform, IR Connect. The new portal enables Hong Kong listed issuers to build connectivity and regular dialogue with the global investor and analyst community. The first phase of IR Connect provides listed issuers with free access to shareholding analysis and market data, key stock statistics and research ratings.

ADT of ETPs, which include ETFs and L&I Products, increased to \$11.8 billion in 1H 2022, up 64 per cent from \$7.2 billion in 1H 2021. During the period, ETPs recorded the highest single day turnover of \$38.1 billion on 16 March 2022. In addition, HKEX's ETP new product listing continues to expand, with 10 new ETPs listed during 1H 2022, including the first metaverse-themed ETF, first pure-play Hong Kong equity ESG ETF, first carbon futures ETF, and first blockchain ETF. On 3 May 2022, the Volatility Control Mechanism (VCM) was expanded to cover ETPs to further safeguard market integrity from extreme price volatility.

In 1H 2022, Northbound Bond Connect's trading volume continued its overall growth momentum despite market volatility, with ADT in 1H 2022 reaching a record half-yearly high of RMB31.2 billion, representing year-on-year growth of 17 per cent. Single-day trading volume recorded an all-time high

Key Market Indicators	Six months	Six months
	ended 30 Jun 2022	ended 30 Jun 2021
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	119.9	165.8
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn)	48.5	52.8
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn)	55.4	61.6
ADT of Southbound Trading – Shanghai-Hong Kong Stock Connect ² (\$bn)	17.0	23.1
ADT of Southbound Trading – Shenzhen-Hong Kong Stock Connect ² (\$bn)	16.2	25.0
ADT of Northbound Bond Connect (RMBbn)	31.2 ⁴	26.6
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000)	1,900	2,097
Number of newly listed companies on the Main Board ³	27	45
Number of newly listed companies on GEM	-	1
Total equity funds raised		
- IPOs (\$bn)	19.7	211.7
- Post-IPO (\$bn)	95.3	275.6
Number of companies listed on the Main Board at 30 Jun	2,223	2,190
Number of companies listed on GEM at 30 Jun	345	364
Number of trading days	120	121
1 Excludes \$18.4 billion (1H 2021: \$22.4 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 2021: 1 transfer)		
4 New record half-yearly high in 1H 2022		

of RMB69.8 billion on 19 January 2022, and trading volume in January 2022 reached a record monthly high of RMB780.7 billion. As at 30 June 2022, a total of 757 registered investors from 36 jurisdictions participated in Northbound Bond Connect, up 4 per cent from 728 registered investors as at 31 December 2021.

The listed bond market flourished in 1H 2022, with a total of 226 bonds listed on the Stock Exchange, raising a total of \$524 billion. The first Hong Kong Government retail green bonds were listed on 19 May, raising \$20.0 billion from retail investors. As at 30 June 2022, the total number of listed bonds reached 1,777, with total amount outstanding exceeding \$6 trillion.

HKEX's Sustainable and Green Exchange (STAGE) continued to gain traction. As at 30 June 2022, there were a total of 106 sustainability-focused products from leading issuers displayed on STAGE, including green, social, sustainable or similar bonds, from issuers across different sectors, as well as ESG-related ETPs.

On 5 July 2022, HKEX announced the launch of the Hong Kong International Carbon Market Council, partnering with a number of leading regional corporates and financial institutions to develop an international carbon market that leverages Hong Kong's position as a leading global financial centre. This is a significant step forward in the collective journey to achieving net zero.

During 1H 2022, HKEX continued to promote transparency and a strong compliance culture in our marketplace, including the following key initiatives:

- (i) In April 2022, HKEX published the results and findings of the 2021 Annual Attestation and Inspection Programme, and commenced the 2022 Annual Attestation and Inspection Programme with focus on three areas: (1) China Connect rules; (2) risk management; and (3) clearing rules obligation.
- (ii) HKEX published various communication materials including two quarterly Compliance Bulletins and three guidance notes to market participants; and hosted multiple education seminars and compliance roundtables to highlight recent updates in HKEX rules and regulations, compliance issues and good practices.

In Q1 2022, HKEX initiated a review to holistically modernise the operating model of HKEX's Hong Kong businesses, looking at structure, processes, people, and performance measures. Through this extensive programme, management seeks to strengthen the Execution Pillars of the Marketplace of the Future: namely client centricity, operational excellence, talent and culture, and a risk and controls mindset. The formation of the centralised Client Services Department in May 2022 is one of the first results of this exercise. The department acts as an oversight function for various client touch points across the businesses, and focuses on progressively modernising HKEX's client interface and engagement, seeking to deliver a more integrated client journey that begins with onboarding and extends to the entire spectrum of client interactions with HKEX.

On 22 April 2022, the Stock Exchange published an information paper on Rule Amendments on Bookbuilding and Placing Activities in Equity Capital Market Transactions and Sponsor Coupling to Complement the SFC's New Code of Conduct Provisions and Housekeeping Rule Amendments. New requirements resulting from the Rule changes apply to listing applications submitted on or after 5 August 2022 for specified types of placings.

In addition, the Stock Exchange published the following guidance materials during 1H 2022:

Guidance materials

- Semi-annual (i) Listing Division Newsletter, (ii) Listed Issuer Regulation Newsletter and (iii) Enforcement Bulletin
 - A "Review of Issuers' Annual Reports – 2021" on findings and recommendations from a review of issuers' annual reports for the 2020 financial year end
 - "Board Diversity & Inclusion in Focus" repository to aid access to information on and transparency around board diversity; and ESG in Practice through the ESG Academy to support issuers' ESG practices
 - A new guidance letter on the qualifications and obligations of a trustee / custodian regarding the operation of the escrow account of a SPAC
 - A new e-Learning module on trading arrangements for corporate actions as part of a new e-Learning series dedicated to ongoing compliance requirements under the Listing Rules
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Equity and Financial Derivatives Segment

Analysis of Results

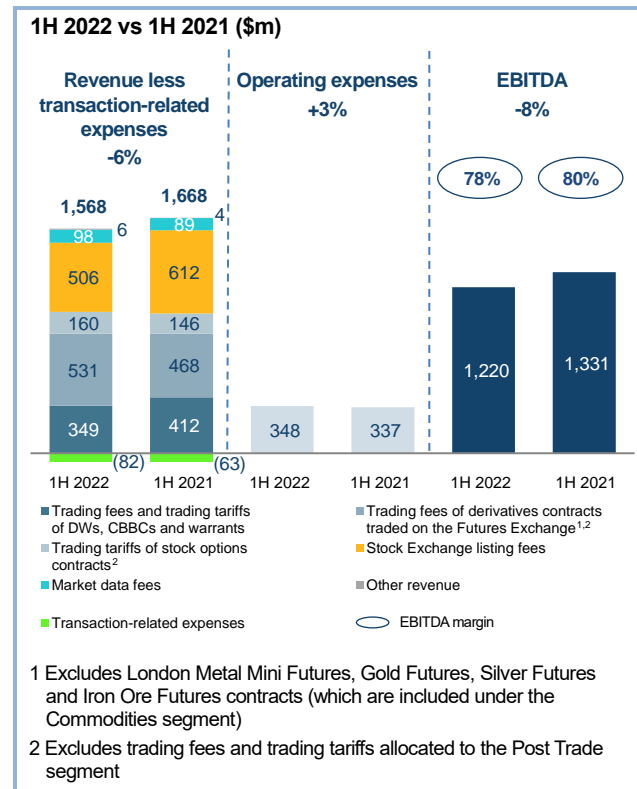
Revenue, less transaction-related expenses, was down 6 per cent; and EBITDA was down 8 per cent compared with 1H 2021.

Trading fees and trading tariffs of DWs, CBBCs and warrants dropped by 15 per cent compared with 1H 2021, attributable to the 18 per cent decrease in ADT and the 10 per cent decrease in average daily number of trades.

Futures Exchange derivatives trading fees⁵ increased by \$63 million or 13 per cent due to the increase in derivatives contracts ADV, but this was partly offset by lower fees per contract, attributable to fee waivers for certain newly launched products and a lower proportion of higher fee contracts (including HSI futures and options) being traded in 1H 2022.

Stock Exchange listing fees decreased by 17 per cent due to a decrease in the number of newly listed DWs and CBBCs compared with the record 1H 2021.

Operating expenses increased by 3 per cent due to increase in cash incentives relating to new products.



⁵ 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 traded⁵ in 1H 2022 was 1,305,424 contracts, 8 per cent higher than 1H 2021 and 16 per cent higher than 2H 2021, mainly attributable to an increase in ADV for both HSCEI Futures and Hang Seng Tech Index Futures. A daily record volume was achieved on 16 March 2022 with over 2.8 million derivatives contracts traded.

Driven by both volatility and the increased popularity of newly launched products, as well as an increase in cross-product trading activities, a number of futures and options contracts reached single-day record highs in volume and open interest (OI) during 1H 2022:

Key Market Indicators	Six months ended	Six months ended
	30 Jun 2022	30 Jun 2021
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	18.4	22.4
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	388	433
ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts)	701	521
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	604	688
Number of newly listed DWs	6,157	8,247
Number of newly listed CBBCs	19,413	21,017
ADV of contracts traded during After-Hours Trading (AHT) ¹ ('000 contracts)	117	67
Number of trading days ²	122	121
	At	At
	30 Jun 2022	30 Jun 2021
Open interest of futures and options contracts ¹ ('000 contracts)	10,466	11,650
1 Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)		
2 Includes 2 holiday trading days (1H 2021: nil)		

	Single-day Trading Volume		Open Interest	
	Date (2022)	Number of contracts	Date (2022)	Number of contracts
HSI Futures Options	26 May	49,375	26 May	73,312
Mini HSI Futures	N/A	N/A	17 Mar	27,632
Weekly HSI Options	16 Mar	22,683	17 Mar	15,316
HSCEI Futures Options	15 Mar	45,363	16 Jun	418,219
Hang Seng TECH Index Futures	27 Jun	205,115	27 Jun	143,153
MSCI China A 50 Connect (USD) Index Futures	16 Feb	65,682	18 Jan	42,718
MSCI Japan Net Total Return (USD) Index Futures	15 Jun	31,792	17 Jun	18,262
MSCI China Net Total Return (USD) Index Futures	14 Jun	22,774	14 Jun	34,522
MSCI Taiwan Net Total Return (USD) Index Futures	N/A	N/A	17 Mar	28,026
USD/CNH Futures	25 Apr	39,149	N/A	N/A
Mini USD/CNH Futures	25 Apr	30,203	14 Mar	11,480

Hang Seng TECH Index Futures, introduced in November 2020, posted record highs for both single-day trading volume and OI in 1H 2022. ADV increased by more than seven times in 1H 2022 compared with 1H 2021, reaching 64,928 contracts. OI reached 106,808 contracts as at 30 June 2022, doubling that of 31 December 2021.

ADV of MSCI China A 50 Connect (USD) Index Futures performed well in 1H 2022, with ADV of 19,863 contracts, up 72 per cent against the ADV during the period since launch (18 October 2021) to 31 December 2021. From 1 July 2022, the trading fee waiver of the China A 50 Connect (USD) Index Futures has been replaced by a 50 per cent trading fee discount.

The two physically-settled options on futures contracts, HSI Futures Options and HSCEI Futures Options, continued to gain traction since launch in August 2021. The aggregate ADV of the two products was 14,653 contracts in 1H 2022, an increase of over 250 per cent compared with ADV of 4,072 contracts during the period since launch on 23 August 2021 to 31 December 2021. OI of these two products recorded multiple record highs during 1H 2022, and OI increased from 90,201 contracts as at 31 December 2021 to 393,134 contracts as at 30 June 2022.

Trading volume in RMB currency derivatives increased due to stronger demand for currency hedging tools as a result of intensified currency market volatility in 1H 2022. Compared with 1H 2021, trading volume of USD/CNH Futures and Mini USD/CNH Futures increased 101 per cent and 97 per cent to 1,580,451 contracts and 646,781 contracts respectively in 1H 2022.

HKEX successfully launched Derivatives Holiday Trading (DHT) on 9 May 2022, enabling investors to actively manage their derivatives product portfolios during Hong Kong holidays. Up to 30 June 2022, there were two holiday trading days since launch and operation was smooth. A total of 17,859 contracts were traded, and the trading volume on the first holiday trading day was 55 per cent of the ADV during 1H 2022. In addition, on the first holiday trading day, MSCI China A 50 Connect Index Futures reached a record high in T+1 Session with 3,134 contracts traded (72 per cent higher than the previous record).

During 1H 2022, HKEX continued to enhance its market microstructure, with a number of key initiatives, including:

Market microstructure enhancements

- On 6 April 2022, two revisions to capital adjustment methodology on single stock futures and single stock options in relation to spin-off came into effect. The revisions were (i) revising the adjustment ratio formula for capital adjustment in relation to spin-offs and (ii) introducing an adjustment ratio floor at 0.1 on contract size or contract multiplier adjustment. The aim of the revisions was to protect market integrity and to maintain an orderly market when there are spin-offs
 - On 2 June 2022, HKEX published a consultation paper proposing a new 5-tier position limit regime for single stock options and futures market, removing additional position limits, and revising the Large Open Position (LOP) reporting requirements for mini HSI and mini HSCEI derivatives contracts. The consultation period ended on 30 June 2022, and HKEX published the consultation conclusion on 28 July 2022
 - On 13 June 2022, HKEX introduced additional contract months for HSI Futures and HSCEI Futures, providing more hedging flexibility for market participants
 - On 17 June 2022, HKEX enhanced the methodology to calculate the Official Settlement Price (OSP) of the physically-settled HSI Futures Options and HSCEI Futures Options by incorporating price references between 3:55 p.m. and 4:00 p.m. on the contracts' expiry day
-

In 1H 2022, seven issuers diversified their offering, issuing DWs with non-HK underlying, including Nasdaq 100 Index, S&P 500 Index and Dow Jones Industry Average Index. The number of newly listed US Index Derivative Warrants was 139 in 1H 2022, a 276 per cent increase compared with 2H 2021. ADT on these DWs of \$170.5 million was recorded during 1H 2022. With the recent inclusion of the MSCI China A 50 Connect Index in the eligible list for DW issuance, Hong Kong's first A-share structured products were listed on 8 August 2022. The products provide investors with a new tool to risk manage China-focused investments, further enhancing the competitiveness of our A-share product ecosystem.

HKEX was awarded the "Best Structured Product and Derivatives Exchange" in the "Asia-Pacific Awards 2022" organised by Structured Retail Products⁶, for the third consecutive year.

⁶ An organisation providing data and market intelligence on structured products

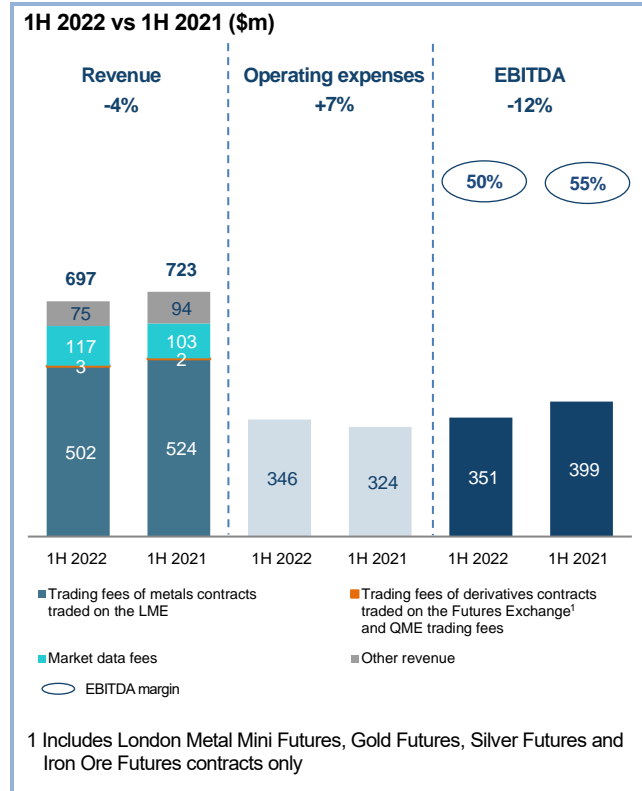
Commodities Segment

Analysis of Results

Revenue was down 4 per cent and EBITDA was down 12 per cent compared with 1H 2021.

LME trading fees decreased by \$22 million (4 per cent) due to a decrease in total chargeable metals contracts traded in 1H 2022, and lower average fee per contract.

Operating expenses increased by 7 per cent, due to legal fees associated with claims relating to the nickel market, and higher staff costs and IT costs incurred by LME.



Business Update

Trading on the nickel market resumed following the unprecedented events on 8 March 2022, which led to the LME's decision to suspend trading and cancel trades. Since then, the LME has introduced several new measures, including daily price limits across its main contracts. The LME additionally consulted on, and subsequently announced, the introduction of a weekly OTC position reporting framework and accountability levels for all LME physically delivered metals; and has commissioned an independent review of factors that contributed to market conditions in the nickel market in the period leading up to, and including, 8 March 2022, to be conducted by Oliver Wyman. In addition, both the Financial Conduct Authority and the Bank of England have announced that they will undertake their own separate reviews.

On 24 May 2022, the LME announced the introduction of a range of new sustainability certifications on its digital credentials register, LMEpassport, enabling more producers to report on a wider range of sustainability metrics. As at 30 June 2022, 30 producers have published over 190 disclosures under the LME's sustainability taxonomy, more than double the number published at its launch in October 2021. The taxonomy covers ESG measures, and is designed to ensure that all aspects of sustainability – and the ways in which LME-listed brands are addressing them – can be reflected. In addition, the scope of LMEpassport's Certificate of Analysis (CoA) requirements was extended to lead and zinc brands on 1 June 2022.

Key Market Indicators

	Six months ended 30 Jun 2022	Six months ended 30 Jun 2021
ADV of metals contracts traded on the LME ('000 lots)		
Aluminium	227	228
Copper	117	125
Zinc	90	83
Nickel	60	63
Lead	40	39
Others	5	6
Total chargeable ADV excluding Admin Trades ¹	539	544
Chargeable Admin Trades ¹	29	26
Other non-chargeable trades	1	1
Total ADV	569	571
Number of trading days	123	124
	At 30 Jun 2022	At 30 Jun 2021
Total futures market open interest ('000 lots)	1,483	1,885

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

30 June 2022 marked the first reporting deadline for the LME’s responsible sourcing rules – a set of requirements that aim to ensure that all LME-listed brands (those listed for good delivery) meet globally accepted standards for responsible sourcing. The LME is now reviewing the submissions.

In light of the low levels of trading activity within the LMEprecious market, the LMEprecious Service was withdrawn, effective 11 July 2022, following discussions with market participants.

In Hong Kong, USD Gold and Silver Futures volumes and USD London Metal Mini Futures grew substantially, with 195,348 contracts and 206,282 contracts traded in 1H 2022, compared with 3,251 contracts and 137,012 contracts traded in 1H 2021 respectively. On 17 March 2022, HKEX aligned the price band across all London Mini Futures to 15 per cent with reference to the T Session closing price. To further facilitate a better price discovery process with minimal disruption to participants’ operations, HKEX optimised this mechanism effective from 5 August 2022 – if the deviation between the T Session closing price at HKEX and the latest LME closing price exceeds 5 per cent, HKEX will use the LME closing price as the reference price to determine the next day’s price band range. This is especially useful when there is significant price movement on the London Mini Futures during Hong Kong public holidays.

As a result of the Covid-19 pandemic and lockdowns in Shenzhen and Shanghai, metals trading on QME, especially copper trading in the Yangtze River Delta, was adversely impacted. Nevertheless, total trading turnover in 1H 2022 was RMB27.8 billion, more than three times of that in 1H 2021. On 29 April 2022, QME officially launched new soybean contracts.

Post Trade Segment

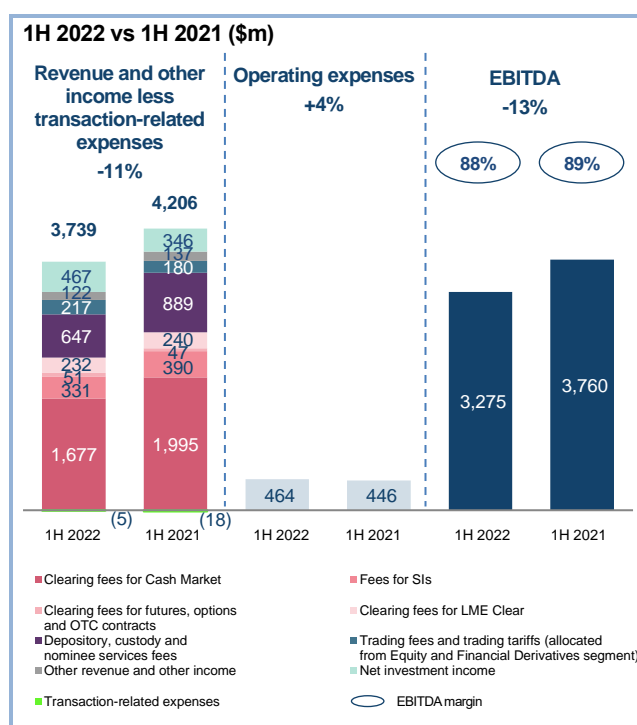
Analysis of Results

Revenue and other income, less transaction-related expenses, was down 11 per cent and EBITDA was down 13 per cent compared with 1H 2021.

Clearing and settlement fees for the Cash Market and for Settlement Instructions (SIs) decreased by 16 per cent and 15 per cent respectively. This was primarily driven by a lower number of transactions. Clearing fees from Stock Connect Northbound Trading also dropped by 13 per cent to \$435 million (1H 2021: \$501 million), due to reduced trading volume.

Depository, custody and nominee services fees decreased from \$889 million in 1H 2021 to \$647 million in 1H 2022, mainly due to a decrease in e-IPO service fees from a lower number of e-IPO applications.

Net investment income increased by \$121 million compared with 1H 2021. This reflected the higher average fund sizes of Margin Funds, and the higher HKD and USD deposit rates in 1H 2022, but was affected by the lagging effect due to maturity profile of the deposits.



The analysis of net investment income is as follows:

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

	Six months ended 30 Jun 2021				Total \$m
	HK Clearing Houses		LME Clear		
	Margin Funds \$m	Clearing House Funds \$m	Margin Funds \$m	Clearing House Funds \$m	
Net investment income from:					
- Cash and bank deposits	270	3	46	6	325
- Debt securities	18	1	2	-	21
Total net investment income	288	4	48	6	346
Average fund size (\$bn)	102.1	10.3	83.9	12.2	208.5
Annualised net investment return	0.56%	0.08%	0.11%	0.10%	0.33%

Operating expenses increased by 4 per cent, due to higher investment and custodian fees charged for LME Clear Margin Funds from higher fund sizes and higher legal fees incurred for the claims relating to the nickel market.

Business Update

The development of the FINI platform progressed well during the period. Working closely with market participants to support them in the transition, HKEX published an implementation plan and several technical guides in May 2022.

HKEX launched the new Value-at-Risk (VaR) Platform in its securities market on 13 June 2022. The VaR Platform adopts a new VaR model based on individual stock volatility, replacing the previously applied flat-rate model for the calculation of margin and default fund contributions of HKSCC CPs. This significantly strengthens HKEX's resilience and enhances cost efficiency for CPs.

With reference to the joint announcement of the People's Bank of China, the SFC and the Hong Kong Monetary Authority on 4 July 2022, OTC Clear is working in partnership with CFETS and Shanghai Clearing House (SHCH) to build Swap Connect, a new mutual access programme that will allow international investors to trade and clear

Mainland China's onshore RMB interest rate swaps without changing their existing trading and settlement practices. Swap Connect is the next significant milestone in progressing the further development and connectivity between Hong Kong and Mainland China's financial markets, promoting the sustainable growth of both markets, and further enhancing Hong Kong's status as an international

Key Market Indicators	Six months ended 30 Jun 2022	Six months ended 30 Jun 2021
	ADT traded on the Stock Exchange ¹ (\$bn)	138.3
Average daily number of Stock Exchange trades ('000)	2,288	2,530
Average daily value of SIs for Stock Exchange trades (\$bn)	326.8	450.4
Average daily number of SIs for Stock Exchange trades ('000)	120	134
ADT of Northbound Trading of Stock Connect ¹ (RMBbn)	103.9	114.4
Average daily value of SIs for Northbound Trading of Stock Connect (RMBbn)	29.8	31.6
Chargeable ADV ² of metals contracts traded on the LME ('000 lots)	539	544

1 Includes buy and sell trades under Stock Connect

2 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.

financial centre. Preparatory work to launch Swap Connect is expected to take around six months, subject to regulatory approval.

Due to increased market volatility driven in part by USD interest rate hikes, OTC Clear's total clearing volume grew substantially with US\$100.7 billion notional cleared in 1H 2022, up 70 per cent compared with 1H 2021. In particular, USD/CNH Cross Currency Swaps (CCS) clearing volume reached a record half-yearly high of US\$51.2 billion, up 85 per cent compared with the previous half-yearly record of US\$27.7 billion in 1H 2021.

OTC Clear continues to support ongoing benchmark reform within the market and the facilitation and adoption of risk free rates (RFR). Over 96 per cent of USD derivatives cleared in 1H 2022 referenced the Secured Overnight Financing Rate (SOFR) benchmark rate, indicating high adoption of SOFR in the market. OTC Clear completed a market consultation in July setting out the proposed USD LIBOR conversion approach in preparation for the USD LIBOR cessation by June 2023.

In addition, OTC Clear further expanded its membership base with the admission of a second clearing broker and a new client via the Settlement Sponsorship Membership model.

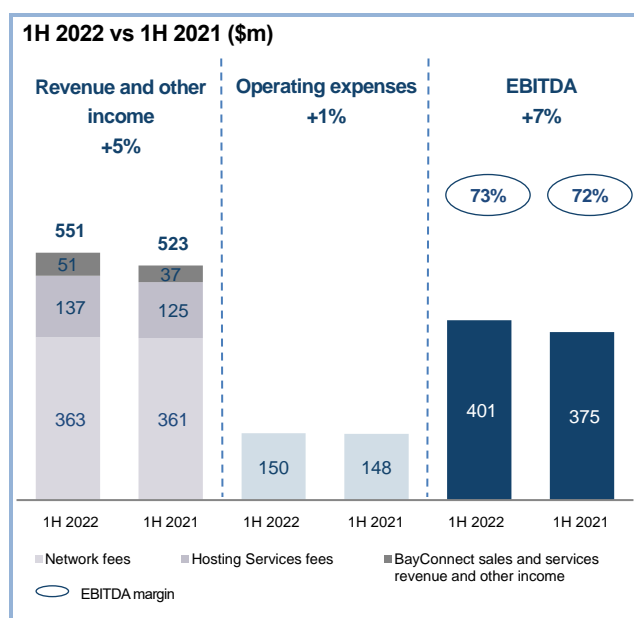
Technology Segment

Analysis of Results

Revenue and other income was up 5 per cent and EBITDA was up 7 per cent compared with 1H 2021.

During 1H 2022, network fees rose marginally by \$2 million, as increased usage of the Orion Central Gateway and China Connect Central Gateway by EPs was mostly offset by lower fees from the sale of new throttles.

Hosting Services fees rose by 10 per cent due to growth in both new customer subscriptions and increased usage by existing customers.



Business Update

During 1H 2022, despite market volatility and challenges posed by the pandemic on work arrangements, all of HKEX's major trading, clearing, settlement and market data dissemination systems for the Cash and Derivatives Markets continued to perform robustly. On the Commodities Market, a power outage at the LME's third party data centre at around closing time on 10 January 2022 resulted in a temporary market interruption to the LME's electronic trading platform (LMEselect). The root cause has been identified and corrective measures have been implemented and more recovery drills planned.

In line with HKEX's strategy of building more seamless access to platforms and putting client journeys at the forefront of our priorities in application development, HKEX further enhanced its client engagement by upgrading its Electronic Communication Platform (ECP) on 25 April 2022, a platform for clients to exchange files with HKEX. The new platform unifies client access through Client Connect with enhanced system accessibility and resilience, and paves the way for new functionality, in turn supporting the health of the whole market.

In order to support the Hong Kong Investor Identification Regime (HKIDR), HKEX is enhancing the ECP and Orion Trading Platform – Securities Market (OTP-C) to facilitate the submission of investor information required for securities trading under HKIDR. Related system development has now been completed and market participation of an end-to-end test session for HKIDR is already underway.

Market rehearsals will be further arranged in 2H 2022 to verify readiness of the market before the launch of HKIDR.

Hosting Services completed fit-out and the addition of extra high power density computer racks during the period, enriching HKEX's hosting product portfolio. To further meet customer demands, Hosting Services is fitting out a new data hall which will be ready for service in Q4 2022.

Corporate Items

Analysis of Results

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

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Net investment (loss)/income	(378)	428
HKEX Foundation donation income	37	74
Others	6	6
Total revenue and other income	(335)	508
Operating expenses:		
- HKEX Foundation charitable donations	(56)	(69)
- Others	(739)	(592)
EBITDA	(1,130)	(153)

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

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Net investment (loss)/income from:		
- External Portfolio	(511)	321
- Cash and bank deposits	115	92
- Equity securities ¹	(12)	4
- Debt securities	5	-
- Exchange gains	25	11
Total net investment (loss)/income	(378)	428
Average fund size (\$bn)	34.3	34.2
Annualised net investment return	(2.20%)	2.50%

¹ Investments in minority stakes of unlisted companies

Net investment loss from Corporate Funds was \$378 million, compared with net investment income of \$428 million in 1H 2021. This was principally due to net fair value losses on the External Portfolio.

Market concerns about inflation risk, aggressive interest rate hike expectations and the potential implications on global growth, together with continued geopolitical fragility triggered a sharp global asset repricing in 1H 2022. As a result, the External Portfolio had net fair value losses of \$511 million in 1H 2022, as opposed to the net fair value gains of \$321 million in 1H 2021.

As both equities and fixed income markets suffered declines, the External Portfolio recorded losses across the board, regardless of strategy, during 1H 2022 as follows:

Strategy	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m
Public Equities	(296)	182
Diversifiers	(69)	146
Government Bonds and Mortgage-backed Securities	(146)	(7)
Total	(511)	321

Given ongoing significant market volatility and its impact on HKEX's earnings, together with the uncertainty of a rising interest rate environment and the risk of global economic pressures, \$2 billion will be redeemed from the External Portfolio in 2H 2022 to reduce volatility on earnings. The redemption proceeds will be invested internally with the rest of the Corporate Funds.

Excluding HKEX Foundation charitable donation expenses, operating expenses increased by 25 per cent against 1H 2021 due to increased staff costs from increased headcount for strategic projects and higher recruitment costs.

Business Update

In 1H 2022, HKEX continued to play an active role in shaping the long-term sustainability of global financial markets. Our Corporate Social Responsibility focus continued to be on our markets, our people and our operations. HKEX's promotion of good corporate governance and ESG stewardship through industry knowledge sharing and leadership on best practices, in particular, has been a cornerstone of our outreach during 1H 2022. In addition, as part of our ongoing efforts to promote good corporate governance, HKEX launched a new diversity repository to enhance access to information and transparency around board diversity.

To reinforce our commitment to tackling climate change, HKEX continued to facilitate the transition to a net-zero global economy across its markets, business and operations. During 1H 2022, we focused on ongoing development of sustainable and green finance offering through HKEX's Sustainable and Green Exchange, STAGE; as well as through education and active engagement with regulators, industry practitioners, professional bodies and other stakeholders.

HKEX Foundation, HKEX's dedicated charitable channel, has further strengthened its charity partnership and engagement with the community. During 1H 2022, HKEX Foundation donated a total of \$56 million to different charitable causes. These included the emergency relief donation for the Covid-19 pandemic, the launch of the 2022 HKEX Charity Partnership Programme and the enhanced HKEX Impact Funding Scheme, supporting a wide range of projects focusing on Financial Literacy, Diversity and Inclusion, Poverty Relief and Environmental Sustainability.

Expenses, Other Costs and Taxation

Operating Expenses

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m	Change
Staff costs and related expenses	1,667	1,495	12%
IT and computer maintenance expenses	363	338	7%
Premises expenses	58	57	2%
Product marketing and promotion expenses	50	36	39%
Professional fees	77	48	60%
HKEX Foundation charitable donations	56	69	(19%)
Other operating expenses	185	178	4%
Total	2,456	2,221	11%

Staff costs and related expenses increased by \$172 million (12 per cent) mainly due to an increase in headcount for strategic projects, payroll adjustments and higher recruitment costs, demonstrating our commitment to continuous investment in skills and talent.

IT and computer maintenance expenses increased by \$25 million (7 per cent), attributable to higher maintenance expenses for new systems and upgraded networks, and costs incurred for cloud-based IT systems.

Product marketing and promotion expenses increased by \$14 million (39 per cent), principally attributable to cash incentives relating to new products.

Professional fees increased by \$29 million (60 per cent), due primarily to legal costs incurred in respect of claims relating to the nickel market, higher fees incurred for strategic projects and other business initiatives in 1H 2022.

Depreciation and Amortisation

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m	Change
Depreciation and amortisation	717	662	8%

Depreciation and amortisation increased by \$55 million (8 per cent), due to the completion of a new secondary data centre and new IT systems and upgrades in 2H 2021 and 1H 2022.

During 1H 2022, the Group incurred capital expenditure⁷ of \$478 million, a decrease of 11 per cent from 1H 2021.

Finance Costs

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m	Change
Finance costs	73	77	(5%)

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

Taxation

	Six months ended 30 Jun 2022 \$m	Six months ended 30 Jun 2021 \$m	Change
Taxation	817	1,317	(38%)

Taxation decreased due to lower profit before taxation in 1H 2022, and the one-off deferred tax charge of \$160 million recorded in 2021 on acquired LME intangible assets arising from approval of the change of statutory UK tax rate.

⁷ Exclude right-of-use assets recognised under HKFRS 16: Leases.

FINANCIAL REVIEW

Significant Financial Assets and Financial Liabilities by Funds

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m	Change
Financial assets			
Cash and cash equivalents	209,501	181,361	16%
Financial assets measured at fair value through profit or loss	170,447	100,861	69%
Financial assets measured at fair value through other comprehensive income	13,459	9,755	38%
Financial assets measured at amortised cost	70,273	51,828	36%
Total	463,680	343,805	35%

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 2022 \$m	At 31 Dec 2021 \$m	Change
Financial assets			
Corporate Funds ¹	33,949	33,794	0%
Margin Funds ²	240,939	191,240	26%
Clearing House Funds	27,272	19,975	37%
Base, ferrous, and precious metals derivatives contracts cleared through LME Clear	161,520	91,424	77%
Cash prepayments and collateral for A-shares	-	7,372	(100%)
Total	463,680	343,805	35%

1 Includes \$1,194 million (31 December 2021: \$1,267 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 \$8,512 million (31 December 2021: \$12,764 million), which are included in accounts receivable, prepayments and deposits

	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m	Change
Financial liabilities			
Base, ferrous, and precious metals derivatives contracts cleared through LME Clear	161,520	91,424	77%
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	249,451	203,536	23%
CPs' contributions to Clearing House Funds	26,487	19,182	38%
Total	437,458	314,142	39%

The increase in financial assets and financial liabilities of Margin Funds at 30 June 2022 compared with 31 December 2021 was due to increase in contributions from HKCC CPs from increased open positions and higher margin requirements, and increase in contributions required from members of LME Clear due to increased market volatility.

The increase in financial assets and financial liabilities of Clearing House Funds at 30 June 2022 compared with 31 December 2021 was mainly due to higher contributions required from members of LME Clear in response to changes in risk exposures.

Margin Funds and Clearing House Funds of LME Clear are mainly invested in overnight reverse repurchase investments, where high quality assets are held against such investments as collateral. In Hong Kong, Clearing House Funds are predominantly kept overnight or invested in Exchange Fund Bills issued by the Hong Kong Monetary Authority due to regulatory requirements. For Margin Funds, a certain proportion of the funds are kept overnight to meet withdrawal requests from CPs (approximately

30 per cent at 30 June 2022), a certain proportion is invested in long-term investment grade debt securities (approximately 4 per cent at 30 June 2022) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of seven months as at 30 June 2022).

Financial assets of Corporate Funds at 30 June 2022 were broadly flat compared with 31 December 2021 as cash generated by the business over the past six months was offset by the cash paid for the 2021 second interim dividend and the decrease in fair value of the External Portfolio.

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

Strategy	At 30 Jun 2022 \$m	At 31 Dec 2021 \$m	Change
Public Equities	1,553	1,774	(12%)
Diversifiers	4,841	4,949	(2%)
Government Bonds and Mortgage-backed Securities	1,862	2,020	(8%)
Total	8,256	8,743	(6%)

Working Capital, Financial Resources and Gearing

Working capital dropped by \$315 million or 1 per cent to \$28,790 million at 30 June 2022 (31 December 2021: \$29,105 million). The decrease was primarily due to the 2021 second interim dividend of \$5,290 million paid in March 2022 and net decrease in non-current liabilities of \$221 million as certain liabilities became repayable within twelve months, partly offset by profit of \$4,836 million generated during 1H 2022 and net decrease in non-current assets of \$390 million.

At 30 June 2022, the Group's outstanding borrowings represented written put options to non-controlling interests of \$428 million (31 December 2021: \$426 million). As a result, the Group had a gross gearing ratio (i.e., gross debt divided by adjusted capital) of 1 per cent (31 December 2021: 1 per cent), and a net gearing ratio (i.e., net debt divided by adjusted capital) of zero per cent (31 December 2021: zero per cent). For this purpose, gross debt is defined as total borrowings (excluding lease liabilities) and net debt⁸ 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 2022, the Group's total available banking facilities for its daily operations amounted to \$21,280 million (31 December 2021: \$21,249 million), which included \$14,779 million (31 December 2021: \$14,748 million) of committed banking facilities and \$6,500 million (31 December 2021: \$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 2022, the total amount of the facilities was HK\$29,630 million (31 December 2021: HK\$31,041 million).

In addition, the Group has arranged contingency banking facilities amounting to RMB13,000 million (31 December 2021: RMB13,000 million) for settling payment obligations to ChinaClear should there be events that disrupt normal settlement arrangements for Stock Connect.

At 30 June 2022, 88 per cent (31 December 2021: 83 per cent) of the Group's cash and cash equivalents were denominated in HKD or USD.

⁸ 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.

Capital Expenditure and Commitments

During 1H 2022, the Group incurred capital expenditure⁷ of \$478 million (1H 2021: \$536 million) mainly related to the development and upgrade of various trading and clearing systems (notably trading systems for Commodities Market), and the development of a new data hall for Hosting Services.

The Group's capital expenditure commitments at 30 June 2022, including those authorised by the Board but not yet contracted for, amounted to \$665 million (31 December 2021: \$815 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 development of a new data hall for Hosting Services.

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

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

Pledges of Assets

LME Clear receives securities and gold bullion as non-cash collateral for margins posted by its CPs. The total fair value of this non-cash collateral was US\$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 CPs' collateral obligations have been substituted with cash collateral or otherwise discharged. LME Clear is permitted to sell or pledge such collateral in the event of the default of a CP. Any non-cash collateral lodged at central securities depositories or custodians is subject to a lien or pledge for the services they provide in respect of the collateral held.

LME Clear also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$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.

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.

Margin deposits received by the Group in Hong Kong are mainly denominated in HKD (approximately 80 per cent at 30 June 2022), and foreign currency margin deposits received are hedged by investments in the same currencies. Unhedged investments in USD should 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 the External Portfolio and equity investments) at 30 June 2022 amounted to HK\$4,136 million, of which HK\$482 million were non-USD exposures (31 December 2021: HK\$2,524 million, of which HK\$545 million were non-USD exposures).

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.
- (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.

CHANGES SINCE 31 DECEMBER 2021

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 2021.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2022 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 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2022, HKEX complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exception of Code Provision B.2.2 (retirement by rotation of directors).

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

PURCHASE, SALE OR REDEMPTION OF HKEX'S LISTED SECURITIES

During the six months ended 30 June 2022, 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 115,300 HKEX shares at a total consideration of \$42 million.

SUSTAINABLE WORKPLACE

During the six months ended 30 June 2022, the Group organised 100 in-house courses for employees to enhance their job knowledge, skills and well-being. Moreover, the Group sponsored a total of 72 employees to attend external training.

As at 30 June 2022, the Group had 2,186 permanent employees and 162 temporary employees. HKEX's remuneration policy has remained unchanged since the date of the 2021 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 2022 \$m	Six months ended 30 Jun 2021 \$m
Trading fees and trading tariffs		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	4	89	774
HKEX Foundation donation income		37	74
Sundry income		23	11
Revenue and other income		8,937	10,909
Less: Transaction-related expenses		(87)	(81)
Revenue and other income less transaction-related expenses		8,850	10,828
Operating expenses			
Staff costs and related expenses		(1,667)	(1,495)
IT 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	5	(73)	(77)
Share of profits less losses of joint ventures		42	38
Profit before taxation		5,646	7,906
Taxation	6	(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	7(a)	\$3.82	\$5.22
Diluted earnings per share	7(b)	\$3.82	\$5.21

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	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)

	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	9	209,501	-	209,501	181,361	-	181,361
Financial assets measured at fair value through profit or loss	9	169,507	940	170,447	99,915	946	100,861
Financial assets measured at fair value through other comprehensive income	9	13,459	-	13,459	9,755	-	9,755
Financial assets measured at amortised cost	9	70,057	216	70,273	51,302	526	51,828
Accounts receivable, prepayments and deposits	10	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		161,520	-	161,520	91,424	-	91,424
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs		249,451	-	249,451	203,536	-	203,536
Accounts payable, accruals and other liabilities	11	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
CPs' contributions to Clearing House Funds		26,487	-	26,487	19,182	-	19,182
Lease liabilities		300	1,592	1,892	299	1,760	2,059
Borrowings	12	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				31,896			31,896
Shares held for Share Award Scheme				(861)			(901)
Employee share-based compensation reserve				429			306
Hedging and revaluation reserves				(249)			15
Exchange reserve				(47)			(117)
Designated reserves				624			623
Reserve relating to written put options to non-controlling interests				(369)			(369)
Retained earnings	13			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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation

These unaudited condensed consolidated financial statements should be read in conjunction with the 2021 annual consolidated financial statements. Except as described in note 2 below, the accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2021.

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. Changes in Accounting Policies and Estimates

(a) Adoption of new/revised 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.

(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 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 and ferrous 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 (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

Six months ended 30 Jun 2021							
	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	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. 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

5. 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

6. 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.

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 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

8. 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

9. 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>		
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	161,520	91,424
	463,680	343,805

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

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

	At 30 Jun 2022						At 31 Dec 2021					
	Cash for A-shares \$m	Corporate Funds \$m	Margin Funds \$m	Clearing House Funds \$m	Metals derivatives contracts \$m	Total \$m	Cash for A-shares \$m	Corporate Funds \$m	Margin Funds \$m	Clearing House Funds \$m	Metals derivatives contracts \$m	Total \$m
Within twelve months	-	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) 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 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.

10. 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.

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 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.

12. 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.

13. Retained Earnings

	2022 \$m	2021 \$m
At 1 Jan	18,173	17,214
Profit attributable to shareholders	4,836	12,535
Transfer (to)/from designated reserves	(1)	5
Dividends:		
2021/2020 second interim dividend	(5,290)	(5,646)
2021 first interim dividend	-	(5,934)
Unclaimed HKEX dividends forfeited	15	12
Vesting of shares of Share Award Scheme	(1)	(20)
UK tax relating to Share Award Scheme	(2)	7
At 30 Jun 2022 / 31 Dec 2021	17,730	18,173

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of \$3.45 per share for the year ending 31 December 2022, payable in cash.

Key Dates for 2022 Interim Dividend

Ex-dividend date	30 August 2022
Closure of HKEX's Register of Members	1 to 2 September 2022 (both dates inclusive)
Record date	2 September 2022
Despatch of dividend warrants	14 September 2022

To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with HKEX's registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 pm on Wednesday, 31 August 2022.

PUBLICATION OF 2022 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the HKEXnews website at www.hkexnews.hk and the HKEX Group website at www.hkexgroup.com/Investor-Relations/Regulatory-Disclosure/Announcements/2022. The 2022 Interim Report will be available on the HKEXnews and HKEX Group websites and despatched to Shareholders on or about Thursday, 1 September 2022.

By Order of the Board

Hong Kong Exchanges and Clearing Limited

David Fu

Group Company Secretary

Hong Kong, 17 August 2022

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)
Alibaba	Alibaba Group Holding Limited
BayConnect	BayConnect Technology Company Limited
Bilibili	Bilibili Inc.
Board	HKEX's board of directors
Bond Connect	A mutual bond market access programme between Hong Kong and Mainland China, under which Northbound trading enables overseas investors to invest in the China Interbank Bond Market, and Southbound trading enables Mainland institutional investors to invest in offshore bonds through the Hong Kong bond market
Cash Market	HKEX's securities related business excluding stock options
CBBCs	Callable Bull/Bear Contracts
CFETS	China Foreign Exchange Trade System
Chief Executive Officer or CEO	HKEX's Chief Executive
ChinaClear	China Securities Depository and Clearing Corporation Limited
CNH	Offshore RMB traded outside Mainland China
CNS	Continuous Net Settlement
Corporate Governance Code	Refers to Appendix 14 to the Main Board Listing Rules
CP(s)	Clearing Participant(s)
Derivatives Market	HKEX's derivatives related business including stock options
Director(s)	HKEX's director(s)
DWs	Derivative warrants
e-IPO	Electronic Initial Public Offering
EP(s)	Exchange Participant(s)
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
ETP(s)	Exchange Traded Product(s), which include(s) ETFs and L&I Products
Euro	The official currency of the Eurozone
Exchange or SEHK or Stock Exchange	The Stock Exchange of Hong Kong Limited
FINI	Fast Interface for New Issuance
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
Government	The Government of the Hong Kong Special Administrative Region of the People's Republic of China
Government Appointed Directors	Directors appointed by the Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China pursuant to Section 77 of the SFO
Greater Bay Area	Guangdong-Hong Kong-Macao Greater Bay Area
Group or HKEX Group	HKEX and its subsidiaries
Headline ADT	ADT of equity products, DWs, CBBCs and warrants traded on the Stock Exchange
HKCC	HKFE Clearing Corporation Limited
HKEX Foundation	HKEX Foundation Limited
HKEX or the Company	Hong Kong Exchanges and Clearing Limited
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKSCC	Hong Kong Securities Clearing Company Limited
HSCEI	Hang Seng China Enterprises Index
HSI	Hang Seng Index
IPO(s)	Initial Public Offering(s)
Iron Ore Futures	TSI Iron Ore Fines 62 per cent Fe CFR China Futures
IT	Information Technology
L&I Products	Leveraged and Inverse Products

Listing 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
OECD	The Organisation for Economic Co-operation and Development
OTC	Over-the-counter
OTC Clear	OTC Clearing Hong Kong Limited
QME	Qianhai Mercantile Exchange Co., Ltd.
RMB	Renminbi
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai-Hong Kong Stock Connect	A mutual market access programme that links the stock markets in Shanghai and Hong Kong, enabling investors in Hong Kong and Mainland China to trade and settle shares listed on the other market via the exchange and clearing house in their home market
Shareholders	HKEX's shareholders
Share Award Scheme	The HKEX Employees' Share Award Scheme
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
SPAC(s)	Special purpose acquisition company(ies)
STAGE	HKEX's Sustainable and Green 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
Zai Lab	Zai Lab Limited
\$/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)