

---

Pursuant to Chapter 38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission regulates Hong Kong Exchanges and Clearing Limited in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. The Securities and Futures Commission takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

---

**HKEX**

香港交易所

香港交易及結算所有限公司

HONG KONG EXCHANGES AND CLEARING LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Codes: 388 (HKD counter) and 80388 (RMB counter)

---

# **Condensed Consolidated Financial Statements**

## **For the six months ended 30 June 2024**

### **(Unaudited)**

As at 21 August 2024, the Board of Directors of Hong Kong Exchanges and Clearing Limited (HKEX or the Company) comprises 12 Independent Non-executive Directors, namely Mr Carlson TONG (Chairman), Mr Nicholas Charles ALLEN, Mr Apurv BAGRI, Mr CHAN Kin Por, Mr CHEAH Cheng Hye, Ms CHEUNG Ming Ming, Anna, Mrs CHOW WOO Mo Fong, Susan, Ms LEUNG Nisa Bernice Wing-Yu, Mr LEUNG Pak Hon, Hugo, Mr YAM Chi Kwong, Joseph, Mr YAN King Shun, Peter and Mr ZHANG Yichen, and one Executive Director, Ms CHAN Yiting, Bonnie, who is also the Chief Executive of HKEX.

---

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2024 \$m	Six months ended 30 Jun 2023 \$m
Trading fees and trading tariffs	4	3,290	3,182
Clearing and settlement fees		2,125	2,028
Stock Exchange listing fees		725	785
Depository, custody and nominee services fees		542	556
Market data fees		532	537
Other revenue		848	770
<b>Revenue</b>		<b>8,062</b>	<b>7,858</b>
Investment income		5,536	5,774
Interest rebates to Participants		(3,015)	(3,098)
Net investment income	5	2,521	2,676
Donation income of HKEX Foundation		30	29
Sundry income		8	12
<b>Revenue and other income</b>		<b>10,621</b>	<b>10,575</b>
Less: Transaction-related expenses	6	(166)	(94)
<b>Revenue and other income less transaction-related expenses</b>		<b>10,455</b>	<b>10,481</b>
<b>Operating expenses</b>			
Staff costs and related expenses	7	(1,937)	(1,711)
Information technology and computer maintenance expenses		(421)	(381)
Premises expenses		(67)	(64)
Product marketing and promotion expenses		(53)	(51)
Professional fees		(46)	(137)
HKEX Foundation charitable donations		(74)	(77)
Other operating expenses		(196)	(201)
		<b>(2,794)</b>	<b>(2,622)</b>
<b>EBITDA (non-HKFRS measure)*</b>		<b>7,661</b>	<b>7,859</b>
Depreciation and amortisation		(698)	(719)
<b>Operating profit</b>		<b>6,963</b>	<b>7,140</b>
Finance costs	8	(59)	(70)
Share of profits of joint ventures		48	39
<b>Profit before taxation</b>		<b>6,952</b>	<b>7,109</b>
<b>Taxation</b>	9	<b>(766)</b>	<b>(741)</b>
<b>Profit for the period</b>		<b>6,186</b>	<b>6,368</b>
<b>Profit attributable to:</b>			
Shareholders of HKEX		6,125	6,312
Non-controlling interests		61	56
<b>Profit for the period</b>		<b>6,186</b>	<b>6,368</b>
<b>Basic earnings per share</b>	10(a)	<b>\$4.84</b>	\$4.99
<b>Diluted earnings per share</b>	10(b)	<b>\$4.83</b>	\$4.98

\* EBITDA represents earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint ventures. EBITDA is a non-HKFRS measure used by management for monitoring business performance and may not be comparable to similar measures presented by other companies.

---

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Six months ended 30 Jun 2024 \$m	Six months ended 30 Jun 2023 \$m
<b>Profit for the period</b>	<b>6,186</b>	6,368
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Currency translation differences of foreign subsidiaries	(18)	29
Cash flow hedges, net of tax	(3)	14
Changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	14	56
<b>Other comprehensive (loss)/income</b>	<b>(7)</b>	99
<b>Total comprehensive income</b>	<b>6,179</b>	6,467
<b>Total comprehensive income attributable to:</b>		
Shareholders of HKEX	6,119	6,415
Non-controlling interests	60	52
<b>Total comprehensive income</b>	<b>6,179</b>	6,467

---

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	At 30 Jun 2024			At 31 Dec 2023		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
<b>Assets</b>							
Cash and cash equivalents	12	153,987	-	153,987	125,107	-	125,107
Financial assets measured at fair value through profit or loss	12	6,797	575	7,372	6,357	604	6,961
Financial assets measured at fair value through other comprehensive income	12	42,696	2,925	45,621	18,250	-	18,250
Financial assets measured at amortised cost	12	44,027	1,636	45,663	74,984	1,665	76,649
Derivative financial instruments	12,13	91,462	-	91,462	58,127	-	58,127
Accounts receivable, prepayments and deposits	14	26,413	19	26,432	33,313	19	33,332
Tax recoverable	9(c)	279	-	279	64	-	64
Interests in joint ventures		-	400	400	-	352	352
Goodwill and other intangible assets		-	19,413	19,413	-	19,279	19,279
Fixed assets		-	1,463	1,463	-	1,553	1,553
Right-of-use assets		-	1,289	1,289	-	1,484	1,484
Deferred tax assets		-	15	15	-	21	21
<b>Total assets</b>		<b>365,661</b>	<b>27,735</b>	<b>393,396</b>	<b>316,202</b>	<b>24,977</b>	<b>341,179</b>
<b>Liabilities and equity</b>							
<b>Liabilities</b>							
Derivative financial instruments	13	91,514	-	91,514	58,100	-	58,100
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants	15	187,448	-	187,448	176,165	-	176,165
Accounts payable, accruals and other liabilities	16	26,237	-	26,237	27,849	-	27,849
Deferred revenue		703	307	1,010	1,060	307	1,367
Taxation payable		839	-	839	639	-	639
Other financial liabilities	17	4,643	-	4,643	29	-	29
Participants' contributions to Clearing House Funds	18	25,398	-	25,398	21,955	-	21,955
Lease liabilities		250	1,162	1,412	270	1,334	1,604
Borrowings	19	382	67	449	382	65	447
Provisions		81	114	195	62	113	175
Deferred tax liabilities		-	1,031	1,031	-	1,053	1,053
<b>Total liabilities</b>		<b>337,495</b>	<b>2,681</b>	<b>340,176</b>	<b>286,511</b>	<b>2,872</b>	<b>289,383</b>
<b>Equity</b>							
Share capital	20			31,946			31,946
Shares held for Share Award Scheme	20			(1,010)			(1,009)
Employee share-based compensation reserve	21			550			373
Hedging and revaluation reserves				(133)			(144)
Exchange reserve				(185)			(168)
Designated reserves	22			1,219			1,018
Reserve relating to written put options to non-controlling interests				(395)			(395)
Retained earnings				20,716			19,723
<b>Equity attributable to shareholders of HKEX</b>				<b>52,708</b>			<b>51,344</b>
Non-controlling interests				512			452
<b>Total equity</b>				<b>53,220</b>			<b>51,796</b>
<b>Total liabilities and equity</b>				<b>393,396</b>			<b>341,179</b>
<b>Net current assets</b>				<b>28,166</b>			<b>29,691</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Attributable to shareholders of HKEX									
	Share capital and shares held for Share Award Scheme (note 20) \$m	Employee share-based compensation reserve (note 21) \$m	Hedging and revaluation reserves \$m	Exchange reserve \$m	Designated reserves (note 22) \$m	Reserve relating to written put options to non-controlling interests \$m	Retained earnings \$m	Total \$m	Non- controlling interests \$m	Total equity \$m
At 1 Jan 2024	30,937	373	(144)	(168)	1,018	(395)	19,723	51,344	452	51,796
Profit for the period	-	-	-	-	-	-	6,125	6,125	61	6,186
Other comprehensive income/(loss)	-	-	11	(17)	-	-	-	(6)	(1)	(7)
Total comprehensive income	-	-	11	(17)	-	-	6,125	6,119	60	6,179
Total transactions with shareholders of HKEX, recognised directly in equity:										
- 2023 second interim dividend at \$3.91 per share	-	-	-	-	-	-	(4,944)	(4,944)	-	(4,944)
- Unclaimed HKEX dividends forfeited	-	-	-	-	-	-	14	14	-	14
- Shares purchased for Share Award Scheme	(31)	-	-	-	-	-	-	(31)	-	(31)
- Vesting of shares of Share Award Scheme	30	(29)	-	-	-	-	(1)	-	-	-
- Employee share-based compensation benefits	-	206	-	-	-	-	-	206	-	206
- Transfer of reserves	-	-	-	-	201	-	(201)	-	-	-
	(1)	177	-	-	201	-	(5,132)	(4,755)	-	(4,755)
At 30 Jun 2024	30,936	550	(133)	(185)	1,219	(395)	20,716	52,708	512	53,220

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Attributable to shareholders of HKEX									
	Share capital and shares held for Share Award Scheme	Employee share-based compensation reserve	Hedging and revaluation reserves	Exchange reserve	Designated reserves	Reserve relating to written put options to non-controlling interests	Retained earnings	Total	Non- controlling interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 Jan 2023	31,000	346	(266)	(155)	686	(430)	18,547	49,728	371	50,099
Profit for the period	-	-	-	-	-	-	6,312	6,312	56	6,368
Other comprehensive income/(loss)	-	-	70	33	-	-	-	103	(4)	99
Total comprehensive income	-	-	70	33	-	-	6,312	6,415	52	6,467
Total transactions with shareholders of HKEX, recognised directly in equity:										
- 2022 second interim dividend at \$3.69 per share	-	-	-	-	-	-	(4,669)	(4,669)	-	(4,669)
- Unclaimed HKEX dividends forfeited	-	-	-	-	-	-	10	10	-	10
- Shares purchased for Share Award Scheme	(9)	-	-	-	-	-	-	(9)	-	(9)
- Vesting of shares of Share Award Scheme	68	(66)	-	-	-	-	(2)	-	-	-
- Employee share-based compensation benefits	-	175	-	-	-	-	-	175	-	175
- Transfer of reserves	-	-	-	-	141	-	(141)	-	-	-
	59	109	-	-	141	-	(4,802)	(4,493)	-	(4,493)
At 30 Jun 2023	31,059	455	(196)	(122)	827	(430)	20,057	51,650	423	52,073

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2024 \$m	Six months ended 30 Jun 2023 \$m
<b>Cash flows from principal operating activities</b>			
Net cash inflow from principal operating activities (non-HKFRS measure)	23	5,852	5,395
<b>Cash flows from other operating activities</b>			
Net (payments to)/redemption from external fund managers for (purchases)/sales of financial assets measured at fair value through profit or loss		(155)	186
Net cash inflow from operating activities		5,697	5,581
<b>Cash flows from investing activities</b>			
Payments for purchases of fixed assets and intangible assets		(784)	(630)
Net decrease/(increase) in financial assets of Corporate Funds:			
Decrease/(increase) in time deposits with original maturities more than three months		8,117	(1,918)
Proceeds received upon maturity of financial assets measured at amortised cost (excluding time deposits)		-	1,108
Payments for purchases of financial assets measured at amortised cost (excluding time deposits)		-	(2,115)
Payments for purchases of financial assets measured at fair value through other comprehensive income		(4,417)	-
Interest received from long-term debt securities classified as financial asset measured at amortised cost		69	-
Interest received from debt securities measured at fair value through other comprehensive income		587	328
Dividend received from a joint venture		-	21
Net cash inflow/(outflow) from investing activities		3,572	(3,206)
<b>Cash flows from financing activities</b>			
Purchases of shares for Share Award Scheme		(31)	(9)
Payments of other finance costs		(29)	(36)
Dividends paid to shareholders of HKEX		(4,923)	(4,649)
Lease payments			
- Capital elements		(130)	(155)
- Interest elements		(28)	(30)
Net cash outflow from financing activities		(5,141)	(4,879)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,128</b>	<b>(2,504)</b>
Cash and cash equivalents at 1 Jan		9,212	15,258
Exchange differences on cash and cash equivalents		(6)	(9)
<b>Cash and cash equivalents at 30 Jun</b>		<b>13,334</b>	<b>12,745</b>
<b>Analysis of cash and cash equivalents</b>			
Cash, bank balances and short-term investments of Corporate Funds	12	14,538	13,621
Less: Cash reserved for supporting Skin-in-the-Game and default fund credits of clearing houses	12(b)	(1,204)	(876)
		<b>13,334</b>	<b>12,745</b>

- (a) "Cash flows from principal operating activities" is a non-Hong Kong Financial Reporting Standard (non-HKFRS) measure used by management for monitoring cash flows of the Group (defined in note 2) and represents the cash flows generated from the trading and clearing operations of the four exchanges and five clearing houses and ancillary services of the Group. This non-HKFRS measure may not be comparable to similar measures presented by other companies. Cash flows from principal operating activities and cash flows from other operating activities together represent cash flows from operating activities as defined by Hong Kong Accounting Standard (HKAS) 7: Statement of Cash Flows.

## 1. Basis of Preparation

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

The financial information relating to the year ended 31 December 2023 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2024 as comparative information does not constitute the statutory annual consolidated financial statements of Hong Kong Exchanges and Clearing Limited (HKEX or 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 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

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

## 2. Accounting Policies

These unaudited condensed consolidated financial statements should be read in conjunction with the 2023 annual consolidated financial statements. Except as described below, the accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2023.

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

In 2024, the Company and its subsidiaries (collectively, the Group) have adopted the following amendments to HKFRSs which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2024:

Amendments to HKAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
----------------------	---

Amendments to HKAS 1	Presentation of Financial Statements: Non-current Liabilities with Covenants
----------------------	--

The adoption of these amendments to HKFRSs did not have any financial impact on the Group during the six months ended 30 June 2024.

### (b) Change in accounting estimates

From 1 January 2024, the estimated useful lives of computer trading and clearing software were revised from "three to five years" to "three to ten years" to better reflect the useful life of the assets. The financial impact of such change in accounting estimate was insignificant during the six months ended 30 June 2024.



### 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 operations in each of the Group's reportable segments are as follows:

The **Cash** segment covers all equity products traded on the Cash Market platforms of The Stock Exchange of Hong Kong Limited (Stock Exchange) and those traded through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (Stock Connect), the clearing, settlement and custodian activities relating to these products and any other related activities. The major sources of revenue of the segment are trading fees, clearing and settlement fees, listing fees, depository, custody and nominee services fees and net investment income earned on the Margin Funds and Clearing House Funds relating to these products.

The **Equity and Financial Derivatives** segment refers to derivatives products traded on the Stock Exchange and Hong Kong Futures Exchange Limited (Futures Exchange); the clearing, settlement and custodian activities relating to these products and over-the-counter (OTC) derivatives contracts and other related activities. These include the provision and maintenance of trading and clearing platforms for a range of equity and financial derivatives products, such as stock and equity index futures and options, derivative warrants (DWs), callable bull/bear contracts (CBBCs) and warrants, and OTC derivatives contracts. The major sources of revenue are trading fees and trading tariffs, clearing and settlement fees, listing fees, depository, custody and nominee services fees and net investment income earned on the Margin Funds and Clearing House Funds relating to these products.

The **Commodities** segment refers to the operations of The London Metal Exchange (LME), which operates a global exchange in the UK, for the trading of base and ferrous metals futures and options contracts and the operations of its clearing house, LME Clear Limited (LME Clear); it also covers the operations of Qianhai Mercantile Exchange Co., Ltd. (QME), the commodity trading platform in Mainland China, and the commodities contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees and clearing and settlement fees of commodity products, commodity market data fees, net investment income earned on the Margin Funds and Clearing House Funds relating to these products, and fees for ancillary operations.

The **Data and Connectivity** segment covers sales of market data relating to the Hong Kong Cash and Derivatives Markets, all services in connection with providing users with access to the platform and infrastructure of the Group and services provided by BayConnect Technology Company Limited (BayConnect). Its major sources of revenue are market data fees, network, terminal user, data line and software sub-license fees and hosting services fees.

"Corporate Items" is not a business segment but comprises central income (including net investment income of Corporate Funds and donation income of HKEX Foundation Limited (HKEX Foundation)) 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 segments).

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

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

3. Operating Segments (continued)

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

	Six months ended 30 Jun 2024					
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Data and Connectivity \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:						
Point in time	3,316	1,376	1,117	52	5	5,866
Over time	689	328	182	993	4	2,196
Revenue	4,005	1,704	1,299	1,045	9	8,062
Net investment income	119	1,395	106	-	901	2,521
Donation income of HKEX Foundation	-	-	-	-	30	30
Sundry income	5	-	-	3	-	8
Revenue and other income	4,129	3,099	1,405	1,048	940	10,621
Less: Transaction-related expenses	(4)	(162)	-	-	-	(166)
Revenue and other income less transaction-related expenses	4,125	2,937	1,405	1,048	940	10,455
Operating expenses	(620)	(443)	(589)	(208)	(934)	(2,794)
Reportable segment EBITDA (non-HKFRS measure)	3,505	2,494	816	840	6	7,661
Depreciation and amortisation	(219)	(121)	(156)	(64)	(138)	(698)
Finance costs	(16)	(17)	(2)	(1)	(23)	(59)
Share of profits of joint ventures	47	1	-	-	-	48
Reportable segment profit before taxation	3,317	2,357	658	775	(155)	6,952
	Six months ended 30 Jun 2023					
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Data and Connectivity \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:						
Point in time	3,387	1,414	780	49	5	5,635
Over time	713	374	164	969	3	2,223
Revenue	4,100	1,788	944	1,018	8	7,858
Net investment income	99	1,665	95	-	817	2,676
Donation income of HKEX Foundation	-	-	-	-	29	29
Sundry income	7	-	-	4	1	12
Revenue and other income	4,206	3,453	1,039	1,022	855	10,575
Less: Transaction-related expenses	(5)	(89)	-	-	-	(94)
Revenue and other income less transaction-related expenses	4,201	3,364	1,039	1,022	855	10,481
Operating expenses	(552)	(426)	(591)	(213)	(840)	(2,622)
Reportable segment EBITDA (non-HKFRS measure)	3,649	2,938	448	809	15	7,859
Depreciation and amortisation	(179)	(124)	(165)	(74)	(177)	(719)
Finance costs	(17)	(24)	(2)	(1)	(26)	(70)
Share of profits of joint ventures	38	1	-	-	-	39
Reportable segment profit before taxation	3,491	2,791	281	734	(188)	7,109

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

4. Trading Fees and Trading Tariffs

	Six months ended 30 Jun 2024 \$m	Six months ended 30 Jun 2023 \$m
Equity securities traded on the Stock Exchange and through Stock Connect	1,424	1,525
DWs, CBBCs and warrants traded on the Stock Exchange	187	223
Futures and options contracts traded on the Stock Exchange and the Futures Exchange	954	926
Commodities contracts traded on the LME and QME	725	508
	<b>3,290</b>	<b>3,182</b>

5. Net Investment Income

	Six months ended 30 Jun 2024 \$m	Six months ended 30 Jun 2023 \$m
Gross interest income from financial assets measured at amortised cost	4,800	5,225
Gross interest income from financial assets measured at fair value through other comprehensive income	613	328
Interest rebates to Participants	(3,015)	(3,098)
Net interest income	2,398	2,455
Net gains/(losses) on financial assets mandatorily measured at fair value through profit or loss and derivative financial instruments:		
- investment funds	233	215
- other unlisted investments (note 29(a))	(32)	(11)
- foreign exchange swaps (notes (a) and 13(c))	(81)	(3)
	120	201
Others	3	20
Net investment income	2,521	2,676

(a) As part of the Group's investment strategy, the Group enters into foreign exchange swaps for optimising foreign currency cash flows and yield enhancement while hedging the overall foreign exchange exposures.

During the six months ended 30 June 2024, there was a net loss on foreign exchange swaps of \$81 million. Such loss was more than offset by higher interest income generated and savings in negative interest on Japanese Yen deposits.

6. Transaction-related Expenses

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

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

**7. Staff Costs and Related Expenses**

	Six months ended 30 Jun 2024 \$m	Six months ended 30 Jun 2023 \$m
Salaries and other short-term employee benefits	1,592	1,426
Employee share-based compensation benefits of HKEX Share Award Scheme (Share Award Scheme)	206	175
Termination benefits	18	1
Retirement benefit costs (note (a))	121	109
	<b>1,937</b>	<b>1,711</b>

(a) The Group has sponsored a defined contribution provident fund scheme (ORSO Plan) and a Mandatory Provident Fund scheme (MPF Scheme) for the benefits of its employees in Hong Kong. The Group has also sponsored a defined contribution pension scheme for all employees of the LME and LME Clear (LME Savings Plan). In addition, the Group has made contributions for employees of other overseas subsidiaries subject to the relevant regulations in the countries in which the overseas subsidiaries operate. The retirement benefit costs charged to the condensed consolidated income statement represent contributions paid and payable by the Group to the ORSO Plan, the MPF Scheme, the LME Savings Plan, contribution plans of other overseas subsidiaries and related fees.

**8. Finance Costs**

	Six months ended 30 Jun 2024 \$m	Six months ended 30 Jun 2023 \$m
Interest on borrowings	2	4
Interest on lease liabilities	28	30
Banking facility commitment fees	26	26
Negative interest on Japanese Yen deposits	3	10
	<b>59</b>	<b>70</b>

**9. Taxation**

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

	<b>Six months ended 30 Jun 2024 \$m</b>	Six months ended 30 Jun 2023 \$m
Current tax - Hong Kong Profits Tax	<b>611</b>	703
Current tax - Overseas Tax	<b>179</b>	76
Total current tax	<b>790</b>	779
Deferred tax	<b>(24)</b>	(38)
<b>Taxation charge</b>	<b>766</b>	741

(a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2023: 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 25 per cent (2023: 23.5 per cent).

(b) OECD Pillar Two model rules

The Group is within the scope of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). Under the rules, the Group is liable to pay a top-up tax for the difference between their Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15 per cent minimum rate. Of the various jurisdictions where the Group operates, Pillar Two legislation became applicable to UK entities from 1 January 2024.

The top-up tax for the Group's UK entities was negligible as they were able to take advantage of the Country-by-Country Reporting Transitional Safe Harbour given that the simplified effective tax rate of the UK entities was higher than 15 per cent during the six months ended 30 June 2024.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in Amendments to HKAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules.

(c) As at 30 June 2024, two subsidiaries of the Group have lodged objections on notices of additional assessments issued by the Hong Kong Inland Revenue Department in connection with the offshore claim of the trading, clearing and portfolio fees under Northbound Stock Connect.

The subsidiaries have purchased tax reserve certificates of \$255 million and the amount is recorded under tax recoverable on the condensed consolidated statement of financial position.

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

**10. Earnings Per Share**

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

(a) Basic earnings per share

	Six months ended 30 Jun 2024	Six months ended 30 Jun 2023
Profit attributable to shareholders (\$m)	6,125	6,312
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,264,558	1,265,477
<b>Basic earnings per share (\$)</b>	<b>4.84</b>	4.99

(b) Diluted earnings per share

	Six months ended 30 Jun 2024	Six months ended 30 Jun 2023
Profit attributable to shareholders (\$m)	6,125	6,312
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,264,558	1,265,477
Effect of shares awarded under Share Award Scheme (in '000)	3,184	2,337
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,267,742	1,267,814
<b>Diluted earnings per share (\$)</b>	<b>4.83</b>	4.98

**11. Dividends**

	Six months ended 30 Jun 2024 \$m	Six months ended 30 Jun 2023 \$m
Interim dividend declared of \$4.36 (2023: \$4.50) per share at 30 Jun	5,528	5,705
Less: Dividend for shares held by Share Award Scheme at 30 Jun	(15)	(10)
	<b>5,513</b>	5,695

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

12. Financial Assets

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
Cash and cash equivalents	153,987	125,107
Financial assets measured at fair value through profit or loss	7,372	6,961
Financial assets measured at fair value through other comprehensive income	45,621	18,250
Financial assets measured at amortised cost	45,663	76,649
Derivative financial instruments	91,462	58,127
	<b>344,105</b>	285,094

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

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
<u>Cash for A-shares</u> (note (a))		
Cash and cash equivalents	8,756	2,733
<u>Margin Funds</u> <sup>1</sup> (note 15)		
Cash and cash equivalents	109,272	91,369
Financial assets measured at fair value through other comprehensive income	35,501	15,847
Financial assets measured at amortised cost	36,382	59,084
	<b>181,155</b>	166,300
<u>Clearing House Funds</u> (note 18)		
Cash and cash equivalents	21,421	20,719
Financial assets measured at fair value through other comprehensive income	5,360	2,403
	<b>26,781</b>	23,122
<u>Corporate Funds</u>		
Cash and cash equivalents (note (b))	14,538	10,286
Financial assets measured at fair value through profit or loss	7,372	6,961
Financial assets measured at fair value through other comprehensive income	4,760	-
Financial assets measured at amortised cost (note (b))	9,281	17,565
	<b>35,951</b>	34,812
Derivative financial instruments (note 13)	91,462	58,127
	<b>344,105</b>	285,094

1 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to China Securities Depository and Clearing Corporation Limited (ChinaClear) under Stock Connect, inter-central counterparties (inter-CCP) margin paid to Shanghai Clearing House (SHCH) under Swap Connect, and margin receivable from Clearing Participants of \$10,892 million (31 December 2023: \$9,865 million), which are included in accounts receivable, prepayments and deposits.

**12. Financial Assets (continued)**

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

	At 30 Jun 2024						At 31 Dec 2023					
	Cash for A-shares	Margin Funds	Clearing House Funds	Corporate Funds	Derivative financial instruments	Total	Cash for A-shares	Margin Funds	Clearing House Funds	Corporate Funds	Derivative financial instruments	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Within twelve months	8,756	181,155	26,781	30,815	91,462	338,969	2,733	166,300	23,122	32,543	58,127	282,825
Over twelve months	-	-	-	5,136	-	5,136	-	-	-	2,269	-	2,269
	8,756	181,155	26,781	35,951	91,462	344,105	2,733	166,300	23,122	34,812	58,127	285,094

- (a) Cash for A-shares includes:
- (i) Renminbi (RMB) cash prepayments received by HKSCC from its Clearing Participants for releasing their allocated A-shares on the trade day. Such prepayments will be used to settle HKSCC's Continuous Net Settlement (CNS) obligations payable on the next business day; and
  - (ii) Hong Kong Dollar/ United States Dollar cash collateral received by HKSCC from its Clearing Participants for releasing their allocated A-shares on the trade day. Such collateral will be refunded to the Clearing Participants when they settle their RMB CNS obligations on the next business day.
- (b) At 30 June 2024, cash and cash equivalents of Corporate Funds of \$1,204 million (31 December 2023: \$1,074 million) and financial assets measured at amortised cost of Corporate Funds of \$365 million (31 December 2023: \$497 million) were solely used to support Skin-in-the-Game and default fund credits for Clearing House Funds (note 18(a)).
- (c) The cash and cash equivalents of Margin Funds, Clearing House Funds, Corporate Funds reserved for supporting Skin-in-the-Game and default fund credits of Clearing House Funds (note (b)), and Cash for A-shares are held for specific purposes and cannot be used by the Group to finance other activities. These balances are not included in cash and cash equivalents of the Group for cash flow purposes in the condensed consolidated statement of cash flows.



13. Derivative Financial Instruments

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
<u>Mandatorily measured at fair value</u>		
Derivative financial assets:		
- base and ferrous metals futures and options contracts cleared through LME Clear (note (a))	91,436	58,097
- forward foreign exchange contracts held as cash flow hedging instruments (note (b))	-	4
- foreign exchange swaps (note (c))	26	26
	<b>91,462</b>	<b>58,127</b>
<u>Mandatorily measured at fair value</u>		
Derivative financial liabilities:		
- base and ferrous metals futures and options contracts cleared through LME Clear (note (a))	91,436	58,097
- forward foreign exchange contracts held as cash flow hedging instruments (note (b))	1	-
- foreign exchange swaps (note (c))	77	3
	<b>91,514</b>	<b>58,100</b>

(a) The amounts represent the fair value of the outstanding base and ferrous metals futures and options contracts cleared through LME Clear that do not qualify for netting under HKAS 32 - Financial Instruments: Presentation, where LME Clear is acting in its capacity as a central counterparty to the contracts traded on the LME.

(b) Forward foreign exchange contracts have been designated as cash flow hedges for hedging foreign exchange risk of certain expenditure of LME and LME Clear.

At 30 June 2024, the notional amount of the outstanding forward foreign exchange contracts amounted to GBP 75 million (31 December 2023: GBP 113 million).

In addition, the Group has entered into certain forward foreign exchange contracts which have not been designated as cash flow hedges. At 30 June 2024, the fair value of such outstanding contracts was less than \$1 million and the notional amount of the outstanding contracts amounted to \$78 million (31 December 2023: \$Nil).

(c) As part of the Group's investment strategy, the Group has entered into foreign exchange swaps for optimising foreign currency cash flows and yield enhancement while hedging the overall foreign exchange exposures. Net losses on foreign exchange swaps were recognised in the condensed consolidated income statement under net investment income (note 5).

At 30 June 2024, the notional amount of the outstanding foreign exchange swaps was \$18,429 million (31 December 2023: \$10,722 million).

**14. Accounts Receivable, Prepayments and Deposits**

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
CNS money obligations receivable (note (a))	13,743	21,430
Settlement Reserve Fund and Settlement Guarantee Fund held by ChinaClear (note 15)	10,402	9,734
Inter-CCP margin held by SHCH (note (b)):		
- satisfied by margin deposits collected from OTC Clear Clearing Participants (note 15)	484	130
- satisfied by Corporate Funds	151	113
	635	243
Prepayments for investment funds traded after 30 Jun 2024	148	-
Receivables for investment funds sold before 31 Dec 2023	-	205
Other receivables, prepayments and deposits, net of provision for impairment losses	1,504	1,720
	<b>26,432</b>	<b>33,332</b>

- (a) 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, and the balance of inter-CCP margin held by SHCH is rebalanced on a daily 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.
- (b) Under Swap Connect, OTC Clear and SHCH are required to provide inter-CCP margin to each other to cover the potential loss arising from the default of the other party. Part of the inter-CCP margin provided by OTC Clear to SHCH is satisfied by margin deposits collected from OTC Clear Clearing Participants and the remaining balance is satisfied by Corporate Funds of OTC Clear.

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

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

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants comprised:		
HKCC Clearing Participants' margin deposits	63,952	62,513
HKSCC Clearing Participants' margin deposits, Mainland security and settlement deposits, and cash collateral	19,268	18,227
LME Clear Clearing Participants' margin deposits	73,609	67,905
OTC Clear Clearing Participants' margin deposits	16,003	14,914
OTC Clear's inter-CCP margin from SHCH (note 14(b))	495	237
SEOCH Clearing Participants' margin deposits	14,121	12,369
	<b>187,448</b>	<b>176,165</b>
The margin deposits, Mainland security and settlement deposits, and cash collateral were invested in the following instruments for managing the obligations of the Margin Funds:		
Financial assets of Margin Funds (note 12)	181,155	166,300
Settlement Reserve Fund and Settlement Guarantee Fund held by ChinaClear (note 14)	10,402	9,734
Inter-CCP margin held by SHCH (note 14)	484	130
Margin receivable from Participants	6	1
Less: Other financial liabilities of Margin Funds (notes (a) and 17)	(4,599)	-
	<b>187,448</b>	<b>176,165</b>

(a) Other financial liabilities of Margin Funds represent payable for debt securities traded before 30 June 2024.

**16. Accounts Payable, Accruals and Other Liabilities**

The Group's accounts payable, accruals and other liabilities mainly represent the Group's CNS money obligations payable, which accounted for 86 per cent (31 December 2023: 87 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

**17. Other Financial Liabilities**

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
Financial liabilities of Margin Funds (note 15)	4,599	-
Financial liabilities of Clearing House Funds (note 18)	24	9
Financial liabilities of Corporate Funds:		
Financial guarantee contract (note 25(b))	20	20
	<b>4,643</b>	<b>29</b>

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

18. Clearing House Funds

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
The Clearing House Funds comprised:		
Clearing Participants' cash contributions	25,398	21,955
Contribution to OTC Clear Rates and FX Guarantee Resources	156	156
Clearing House Funds reserves (note 22)	1,203	1,002
	<b>26,757</b>	23,113
The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds:		
Financial assets of Clearing House Funds (note 12)	26,781	23,122
Less: Other financial liabilities of Clearing House Funds (note 17)	(24)	(9)
	<b>26,757</b>	23,113
The Clearing House Funds comprised the following Funds:		
HKCC Reserve Fund	3,339	4,779
HKSCC Guarantee Fund	4,884	3,262
LME Clear Default Fund	11,798	7,814
OTC Clear Rates and FX Guarantee Fund	5,452	5,588
OTC Clear Rates and FX Guarantee Resources	187	183
SEOCH Reserve Fund	1,097	1,487
	<b>26,757</b>	23,113

- (a) At 30 June 2024, the Skin-in-the-Game, together with default fund credits granted to HKSCC and HKCC Participants, amounted to \$1,569 million (31 December 2023: \$1,571 million), and were included in Corporate Funds (note 12(b)).

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

19. Borrowings

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
Written put options to non-controlling interests	449	447
Analysed as:		
Non-current liabilities	67	65
Current liabilities	382	382
	<b>449</b>	<b>447</b>

During the six months ended 30 June 2024, none of the written put options was exercised.

20. Share Capital and Shares Held for Share Award Scheme

Issued and fully paid – ordinary shares with no par:

	Number of shares '000	Number of shares held for Share Award Scheme '000	Share capital \$m	Shares held for Share Award Scheme \$m	Total \$m
At 1 Jan 2023	1,267,837	(2,406)	31,918	(918)	31,000
Shares purchased for Share Award Scheme (note (a))	-	(1,764)	-	(448)	(448)
Vesting of shares of Share Award Scheme (note (b))	-	878	28	357	385
At 31 Dec 2023	1,267,837	(3,292)	31,946	(1,009)	30,937
At 1 Jan 2024	<b>1,267,837</b>	<b>(3,292)</b>	<b>31,946</b>	<b>(1,009)</b>	<b>30,937</b>
Shares purchased for Share Award Scheme (note (a))	-	(122)	-	(31)	(31)
Vesting of shares of Share Award Scheme (note (b))	-	83	-	30	30
At 30 Jun 2024	<b>1,267,837</b>	<b>(3,331)</b>	<b>31,946</b>	<b>(1,010)</b>	<b>30,936</b>

- (a) During the six months ended 30 June 2024, the Share Award Scheme acquired 121,922 HKEX shares (year ended 31 December 2023: 1,763,793 shares) through purchases on the open market. The total amount paid to acquire the shares during the period was \$31 million (year ended 31 December 2023: \$448 million).
- (b) During the six months ended 30 June 2024, a total of 82,901 HKEX shares (year ended 31 December 2023: 878,256 shares) were vested. The total cost of the vested shares was \$30 million (year ended 31 December 2023: \$357 million). During the year ended 31 December 2023, \$28 million was credited to share capital in respect of vesting of certain shares whose fair values were higher than the costs.

## 21. Employee Share-based Arrangements

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

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

During the six months ended 30 June 2024, details of Employee Share Awards awarded are set out below:

Date of award	Number of shares awarded	Average fair value per share \$	Vesting period ends
4 Mar 2024	1,681,512 <sup>1</sup>	251.39	8 Dec 2025 – 8 Dec 2026
8 Mar 2024	4,731	236.60	15 Jan 2026 – 15 Jan 2027
21 May 2024	1,576	284.65	21 May 2024 – 10 Mar 2027
30 May 2024	60,215	274.93	24 May 2026 – 24 May 2027

<sup>1</sup> 34,023 shares were awarded to HKEX's Chief Executive Officer.

## 22. Designated Reserves

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

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
Clearing House Funds reserves (notes (a) and 18)	1,203	1,002
PRC statutory reserve	16	16
	<b>1,219</b>	<b>1,018</b>

### (a) Clearing House Funds reserves

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
HKCC Reserve Fund reserve	286	273
HKSCC Guarantee Fund reserve	320	268
OTC Clear Rates and FX Guarantee Fund reserve	428	304
OTC Clear Rates and FX Guarantee Resources reserve	31	27
SEOCH Reserve Fund reserve	138	130
	<b>1,203</b>	<b>1,002</b>

**23. Notes to the Condensed Consolidated Statement of Cash Flows**

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

	Six months ended 30 Jun 2024 \$m	Six months ended 30 Jun 2023 \$m
Profit before taxation	<b>6,952</b>	7,109
Adjustments for:		
Net interest income	<b>(2,398)</b>	(2,455)
Net fair value gains on financial assets mandatorily measured at fair value through profit or loss and derivative financial instruments	<b>(120)</b>	(201)
Finance costs	<b>59</b>	70
Depreciation and amortisation	<b>698</b>	719
Employee share-based compensation benefits	<b>206</b>	175
Share of profits of joint ventures	<b>(48)</b>	(39)
Other non-cash adjustments	<b>20</b>	26
Net (increase)/decrease in financial assets of Margin Funds	<b>(15,877)</b>	40,080
Net increase/(decrease) in financial liabilities of Margin Funds	<b>15,882</b>	(40,003)
Net increase in Clearing House Fund financial assets	<b>(3,659)</b>	(2,075)
Net increase in Clearing House Fund financial liabilities	<b>3,458</b>	1,927
Increase in cash prepayments and collateral for A-shares	<b>(6,023)</b>	(4,396)
Decrease/(increase) in Corporate Funds used for supporting Skin-in-the- Game and default fund credits	<b>2</b>	(182)
Net increase in Corporate Funds transferred to SHCH as inter-CCP margin	<b>(38)</b>	(120)
Decrease in accounts receivable, prepayments and deposits	<b>7,898</b>	3,986
(Decrease)/increase in other liabilities	<b>(2,022)</b>	586
Net cash inflow from principal operations	<b>4,990</b>	5,207
Interest received from financial assets measured at amortised cost and cash and cash equivalents	<b>4,763</b>	5,225
Interest paid to Participants	<b>(3,015)</b>	(3,098)
Losses on foreign exchange swaps	<b>(81)</b>	-
Income tax paid	<b>(805)</b>	(1,939)
Net cash inflow from principal operating activities (non-HKFRS measure)	<b>5,852</b>	5,395

## 24. Capital Expenditures and Commitments

During the six months ended 30 June 2024, the Group incurred capital expenditures of \$612 million (2023: \$501 million).

At 30 June 2024, the Group's commitments in respect of capital expenditure were as follows:

	At 30 Jun 2024 \$m	At 31 Dec 2023 \$m
Contracted but not provided for:		
- fixed assets	21	14
- intangible assets	222	157
Authorised but not contracted for:		
- fixed assets	478	505
- intangible assets	851	879
	<b>1,572</b>	<b>1,555</b>

## 25. Contingent Liabilities

At 30 June 2024, 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 Securities and Futures Commission (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 2023: \$71 million). Up to 30 June 2024, 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 556 trading Participants (31 December 2023: 574) covered by the indemnity at 30 June 2024 defaulted, the maximum liability of the Group under the indemnity would amount to \$111 million (31 December 2023: \$115 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.



**25. Contingent Liabilities (continued)**

(d) Material litigation

The LME and LME Clear were named as defendants in two judicial review claims filed in the English High Court (the Court) in 2022 (the Proceedings) and three related claims filed in the Court in 2023. The total claims amount to approximately US\$600 million.

The Proceedings sought 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.

On 29 November 2023, the Court gave judgment in the LME and LME Clear's favour on all grounds, and ordered the claimants to pay the LME and LME Clear's costs of the Proceedings, which are to be assessed by the Court if not agreed with the claimants.

One of the claimants has sought and been granted permission to appeal. The appeal was heard by the Court of Appeal during 9 to 11 July 2024. Judgment was not delivered at the end of the hearing but was "reserved" by the Court of Appeal, to be issued at a later date. No indication has been given by the Court of Appeal as to the timing of when it expects to issue the judgment. The LME management is of the view that the appeal is without merit and LME and LME Clear will continue to contest it vigorously.

The three related claims issued in March 2023 remain stayed, pending the final determination of the Proceedings. The limitation period for similar damages claims under the Human Rights Act has now expired.

In light of the judgment of the Court, no provision has been made in the condensed consolidated financial statements of the Group.

The claimants have made an interim payment of GBP 5 million to the LME and LME Clear to cover part of their costs of the Proceedings. The final amount with respect to recovery of costs will be assessed by the Court if not agreed with the claimants following the conclusion of the appeal. The Group has not recognised any further recovery of costs of the Proceedings as receivables in the condensed consolidated financial statements as the amount is still subject to negotiation with the claimants or assessment by the Court.

## 26. Material Related Party Transactions

### (a) Key management personnel compensation

	Six months ended 30 Jun 2024 \$m	Six months ended 30 Jun 2023 \$m
Salaries and other short-term employee benefits	87	78
Employee share-based compensation benefits	87	60
Retirement benefit costs	5	5
	<b>179</b>	<b>143</b>

### (b) Post-retirement benefit plans

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

## 27. Pledges of Assets

LME Clear receives securities and gold bullion as non-cash collateral for margins posted by its Clearing Participants. The total fair value of this non-cash collateral was US\$2,824 million (HK\$22,048 million) at 30 June 2024 (31 December 2023: US\$3,748 million (HK\$29,266 million)). LME Clear is obliged to return this non-cash collateral upon request when the Clearing Participants' collateral obligations have been substituted with cash collateral or otherwise discharged. LME Clear is permitted to sell or pledge such collateral in the event of the default of a Clearing Participant. Any non-cash collateral lodged at central securities depositories or custodians is subject to a lien or pledge for the services they provide in respect of the collateral held.

LME Clear also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$10,000 million (HK\$78,073 million) at 30 June 2024 (31 December 2023: US\$9,095 million (HK\$71,019 million)). Such non-cash collateral, together with certain financial assets amounting to US\$1,567 million (HK\$12,236 million) at 30 June 2024 (31 December 2023: US\$1,102 million (HK\$8,604 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 condensed consolidated statement of financial position of the Group.

## 28. Capital Management

At 30 June 2024, the Group had set aside \$4,000 million (31 December 2023: \$4,000 million) of shareholders' funds for the purpose of supporting the risk management regime of the clearing houses in their roles as central counterparties, of which \$2,160 million (31 December 2023: \$2,160 million) had been injected into HKSCC, SEIOCH and HKCC as share capital.

**29. Fair Value of Financial Assets and Financial Liabilities**

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

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

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

Recurring fair value measurements:	At 30 Jun 2024				At 31 Dec 2023			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial assets</b>								
Financial assets measured at fair value through profit or loss:								
- investment funds	1,076	5,937	-	7,013	870	5,698	-	6,568
- equity securities	-	-	359	359	-	-	393	393
Financial assets measured at fair value through other comprehensive income:								
- debt securities	23,471	22,150	-	45,621	16,296	1,954	-	18,250
Derivative financial instruments:								
- base and ferrous metals futures and options contracts cleared through LME Clear	-	91,436	-	91,436	-	58,097	-	58,097
- forward foreign exchange contracts	-	-	-	-	-	4	-	4
- foreign exchange swaps	-	26	-	26	-	26	-	26
	<b>24,547</b>	<b>119,549</b>	<b>359</b>	<b>144,455</b>	<b>17,166</b>	<b>65,779</b>	<b>393</b>	<b>83,338</b>
<b>Financial liabilities</b>								
Derivative financial instruments:								
- base and ferrous metals futures and options contracts cleared through LME Clear	-	91,436	-	91,436	-	58,097	-	58,097
- forward foreign exchange contracts	-	1	-	1	-	-	-	-
- foreign exchange swaps	-	77	-	77	-	3	-	3
	<b>-</b>	<b>91,514</b>	<b>-</b>	<b>91,514</b>	<b>-</b>	<b>58,100</b>	<b>-</b>	<b>58,100</b>

**29. Fair Value of Financial Assets and Financial Liabilities (continued)**

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

During the six months ended 30 June 2024 and 30 June 2023, there were no transfers of instruments between Level 1 and Level 2 or transfer into or out of Level 3.

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

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

Fair value measurements using significant unobservable inputs (Level 3)

	2024 \$m	2023 \$m
At 1 Jan	393	654
Losses recognised in consolidated income statement under net investment income (note 5)	(32)	(253)
Losses recognised in other comprehensive income	(2)	(8)
At 30 Jun 2024 / 31 Dec 2023	359	393
Total losses recognised for the period / year in the consolidated income statement for assets held at 30 Jun 2024 / 31 Dec 2023	(32)	(253)

At 30 June 2024, the Group held minority stakes in three unlisted investments – Fusion Bank Limited, Huakong TsingJiao Information Science (Beijing) Limited, and Guangzhou Futures Exchange.

Fusion Bank Limited is a virtual bank in Hong Kong with a license granted by the Hong Kong Monetary Authority. The company offers a variety of banking services including savings, time deposits, loans, local fund transfers and foreign exchange.

Huakong TsingJiao Information Science (Beijing) Limited is a data technology company, which specialises in the research and development of multi-party computation technologies, allowing collaborative data analysis without revealing private data during the computation and analysis process.

Guangzhou Futures Exchange is an exchange in the Greater Bay Area focusing on serving the real economy and green development initiatives. Since its set up in 2021, the exchange has successfully launched its first two products, industrial silicon and lithium carbonate futures and options, and will continue to develop more products related to green development in the future.

As these investments are not traded in an active market, these investments are classified as Level 3 investments. Valuations are prepared on a bi-annual basis, at each interim and annual reporting date. The assumptions and inputs to the valuation model, valuation techniques and valuation results are reviewed and approved by management.

At 30 June 2024, the total fair value of the three investments was \$359 million (31 December 2023: \$393 million). Market-based approach and asset-based approach have been adopted to determine their fair values, which are estimated based on the analysis of the investments' financial position, operating results and prospects, and by reference to trading multiples and financial data of other comparable companies.

**29. Fair Value of Financial Assets and Financial Liabilities (continued)**

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

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

	At 30 Jun 2024		At 31 Dec 2023	
	Carrying amount in condensed consolidated statement of financial position \$m	Fair value \$m	Carrying amount in condensed consolidated statement of financial position \$m	Fair value \$m
<b>Assets</b>				
Financial assets measured at amortised cost:				
- debt securities maturing over one year <sup>1</sup>	1,535	1,556	1,570	1,593
- other financial assets maturing over one year <sup>2</sup>	101	80	95	74
<b>Liabilities</b>				
Borrowings:				
- written put options to non-controlling interests <sup>3</sup>	449	453	447	452
Financial guarantee to the Collector of Stamp Revenue <sup>4</sup>				
	20	28	20	30

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

2 The fair values are based on cash flows discounted using Hong Kong Government bond rates of a tenor similar to the contractual maturity of the respective assets, adjusted by an estimated credit spread. The discount rates used ranged from 3.84 per cent to 4.74 per cent at 30 June 2024 (31 December 2023: 3.61 per cent to 4.61 per cent).

3 The fair values are based on cash flows discounted using the prevailing market interest rates for loans with similar credit rating and similar tenor of the respective loans. The discount rate used was 4.77 per cent at 30 June 2024 (31 December 2023: 4.26 per cent).

4 The fair values are based on the fees charged by financial institutions for granting such guarantees discounted to perpetuity using a ten-year Hong Kong Government bond rate, adjusted by an estimated credit spread, but capped at the maximum exposure of the financial guarantee. The discount rate used was 4.95 per cent at 30 June 2024 (31 December 2023: 4.80 per cent).

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