



# 2020 Annual Results Media Briefing

**Calvin Tai** *Interim Chief Executive, HKEX Group*

**Vanessa Lau** *Group Chief Financial Officer, HKEX Group*

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**HKEX**  
香港交易所

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# Agenda

**01 | 2020 Key Highlights**

**02 | HKEX Group Financial Review**

**03 | Business and Strategic Update**

**04 | Appendix**



# 2020 Key Highlights

## 1 | Financial Performance

- Record financial results for third consecutive year
- Record revenue and other income of HK\$19,190mn with core business revenue up by 24% YoY, reflecting higher trading and clearing fees driven by record headline ADT
- Record Stock Connect revenue and other income of HK\$1,926mn (+91% YoY)
- Net investment income down by 18% YoY at HK\$2,228mn, due to lower fair value gains from collective investment schemes and lower interest income
- Profit attributable to shareholders at record high of HK\$11,505mn (+23% YoY)

## 2 | Business and Strategy

- Strong IPO market – #2 globally by IPO funds raised (HK\$400.2bn, 27% YoY) and #4 by number of new company listings (154)
- Strong performance in Connect schemes – record high ADT across all channels
- Launched 38 MSCI Asia and Emerging Markets Index Futures, representing a major step forward in the expansion of HKEX's derivatives product portfolio
- LME demonstrated resiliency and adaptability, including a successful temporary migration of trading activities from the Ring to electronic pricing since March
- Launched HKEX's Sustainable and Green Exchange (STAGE), Asia's first multi-asset sustainable investment product platform; Launch of HKEX Foundation





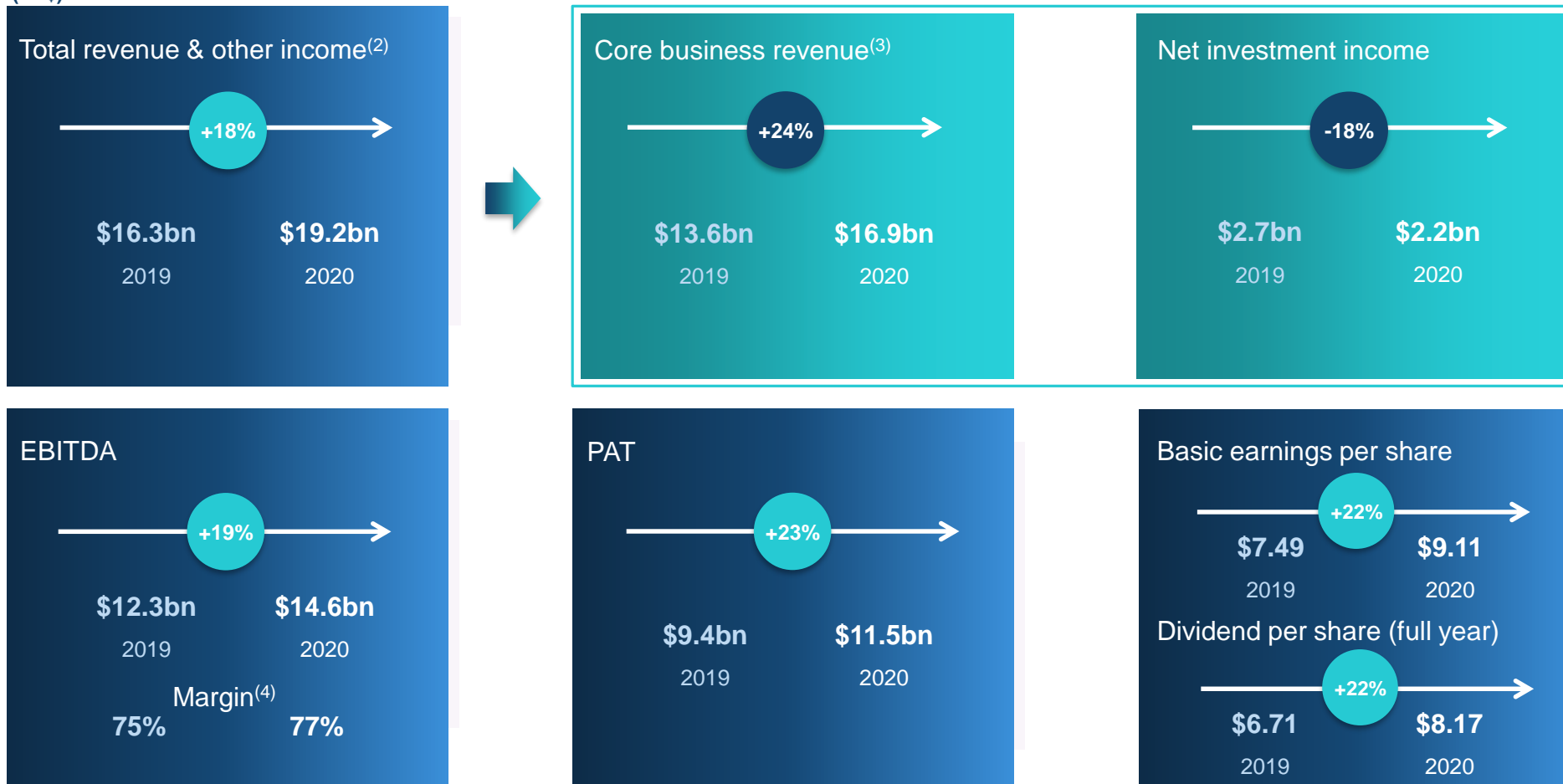
# HKEX Group Financial Review



# Key Financial Highlights

Record revenue and profit for third consecutive year  
 Low interest rate environment impacted investment income

(HK\$)

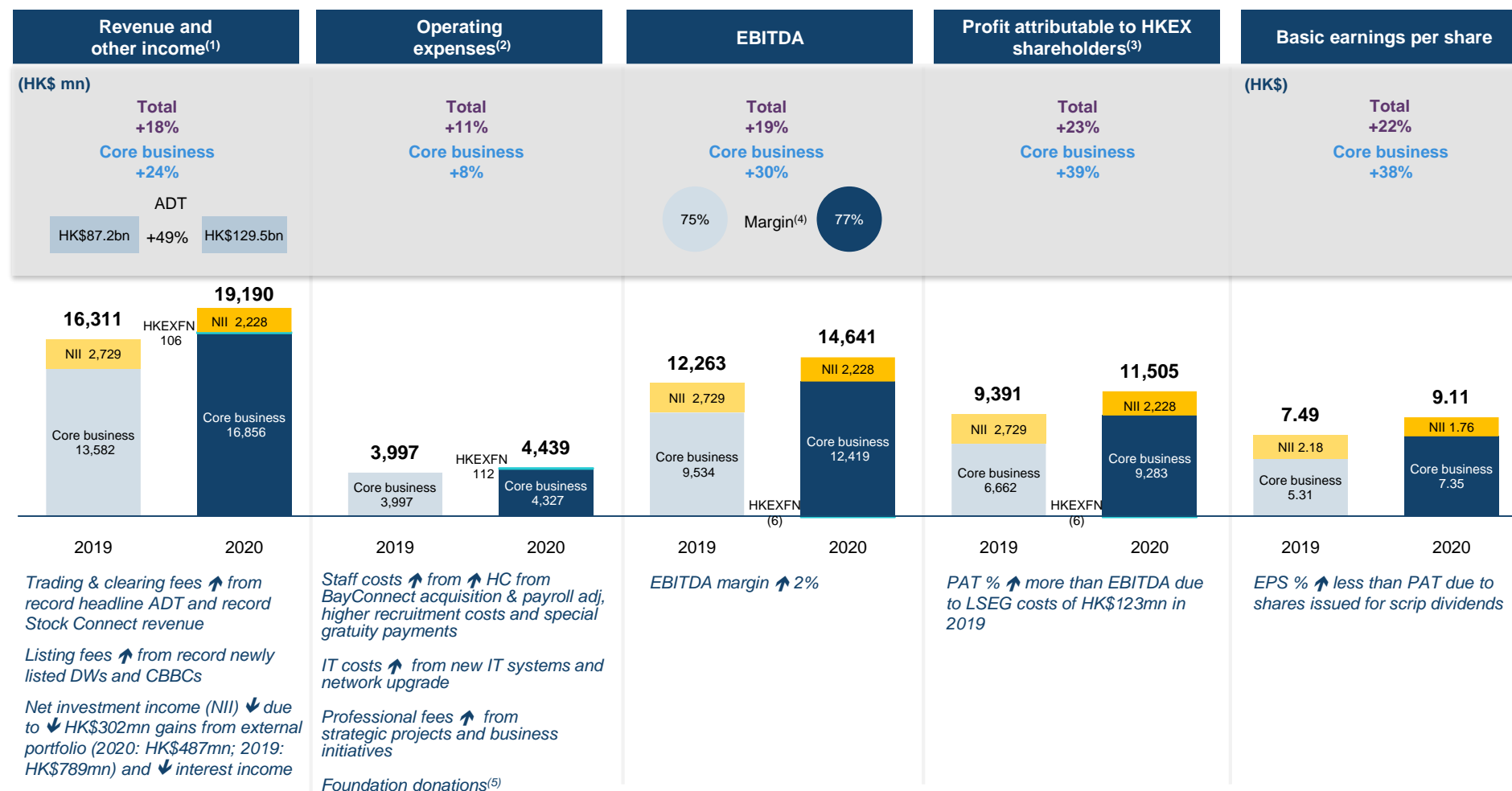


1. All percentage changes are computed based on amounts reported in financial statements.
2. Represents gross revenue and other income before deducting transaction-related expenses (2020: HK\$110mn; 2019: HK\$51mn)
3. Core business revenue represents total revenue and other income, excluding net investment income and HKEX Foundation donation income (2020: HK\$106mn; 2019: \$Nil).
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.





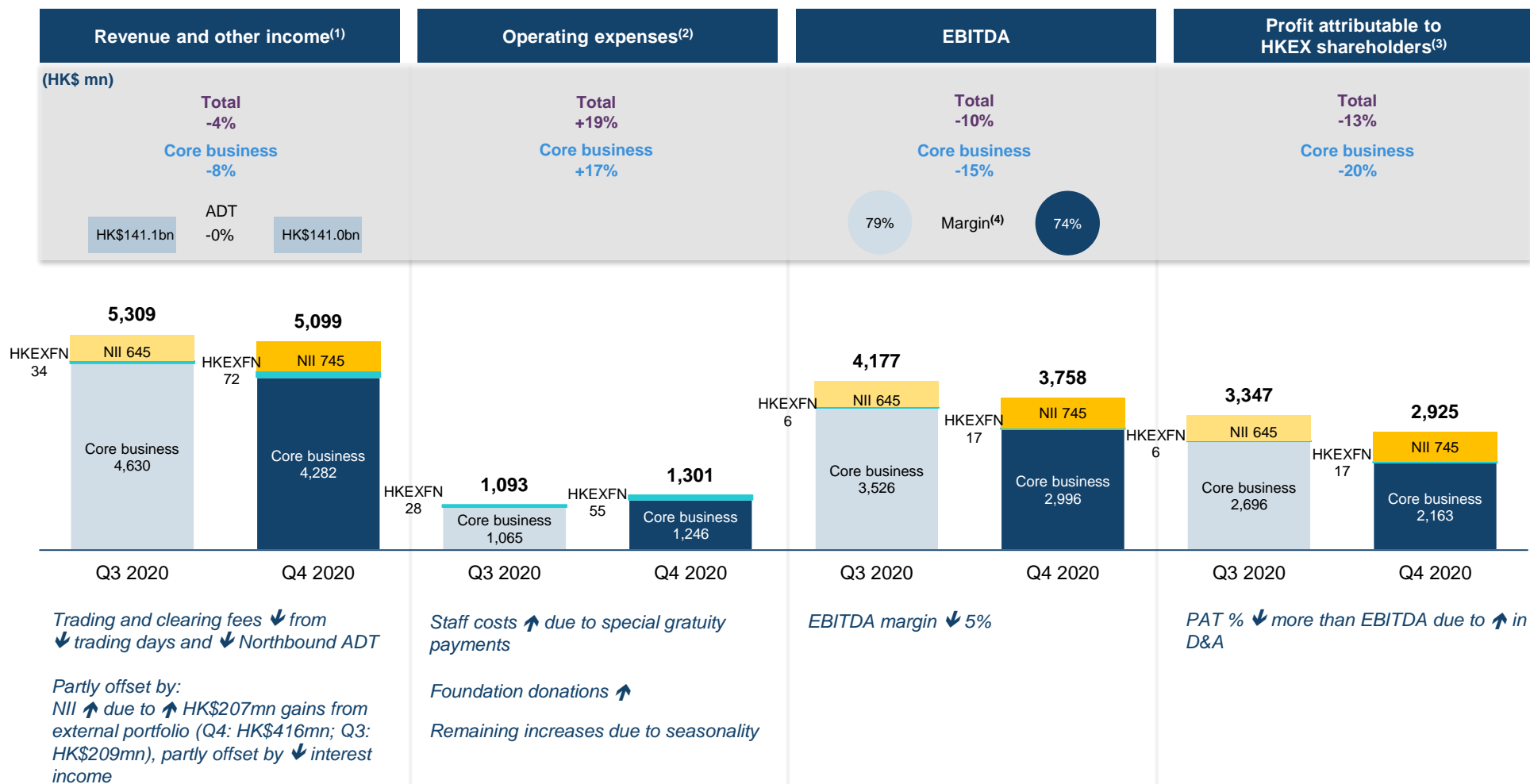
# 2020: Record Revenue and Profit for Third Consecutive Year



1. Represents gross revenue and other income before deducting transaction-related expenses (2020: HK\$110mn; 2019: HK\$51mn)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, share of profits/(losses) of joint ventures, and costs arising from the proposed combination with London Stock Exchange Group plc (LSEG)
3. For the purpose of this presentation, tax impact of NII is not considered when calculating the PAT attributable to NII.
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.
5. From 2H 2020 onwards, the donation income from the Stock Code Balloting Charity Scheme were received by HKEX Foundation (HKEXFN), and the amounts previously paid by the issuers directly to the Hong Kong Community Chest were paid by HKEX Foundation. As a result, HKEX recorded donation income of HK\$106mn, under revenue and other income, and HKEX Foundation charitable donations of HK\$112mn, under operating expenses in 2020.



# Q4 Reflects Fewer Trading Days, Lower Stock Connect and Derivatives Volumes, and Seasonality in Expenses

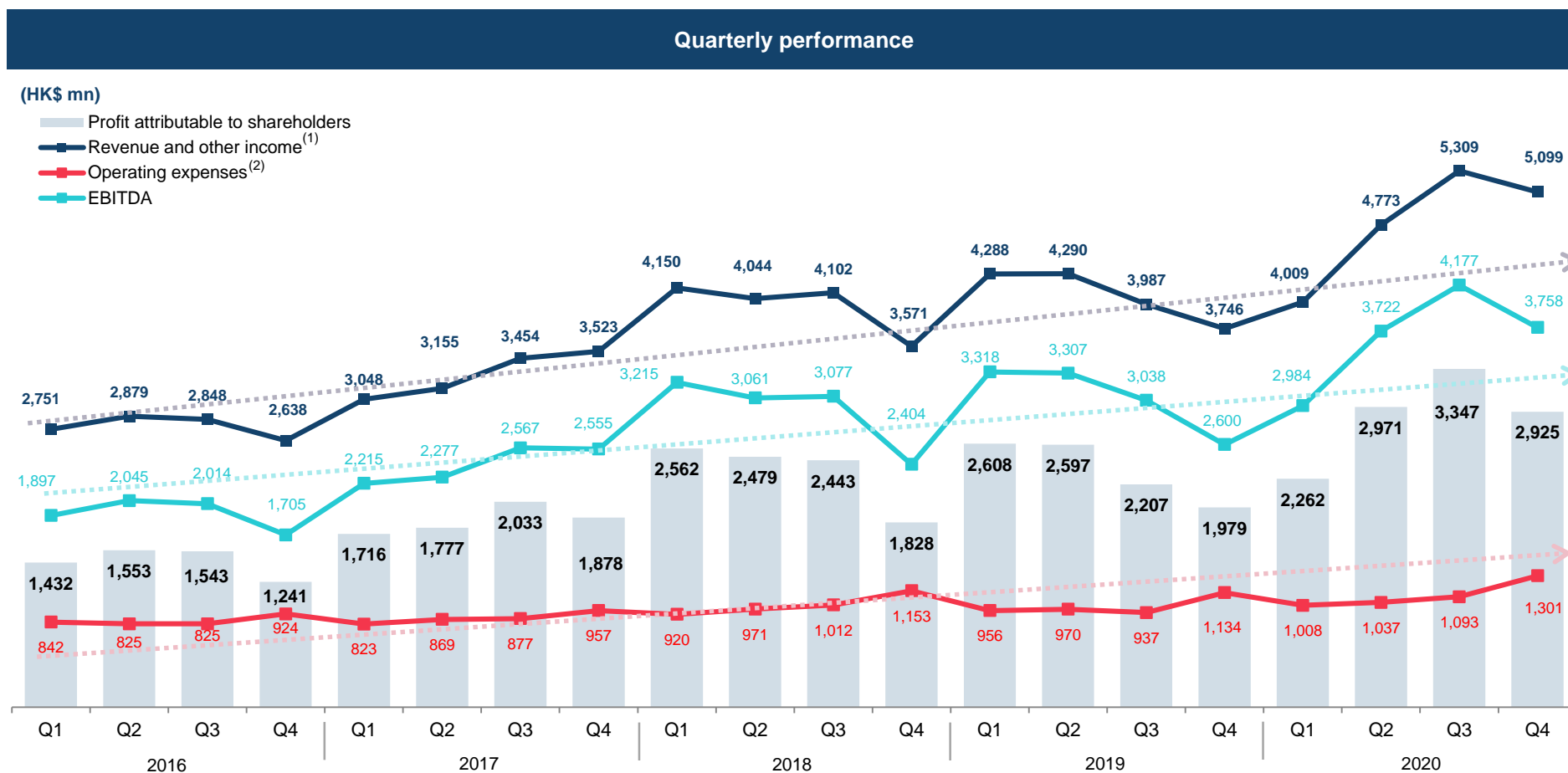


1. Represents gross revenue and other income before deducting transaction-related expenses (Q3 2020: HK\$39mn; Q4 2020: HK\$40mn)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of profits/(losses) of joint ventures
3. For the purpose of this presentation, tax impact of NII is not considered when calculating the PAT attributable to NII.
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.





# 2020 Performance Above Historical Trendline



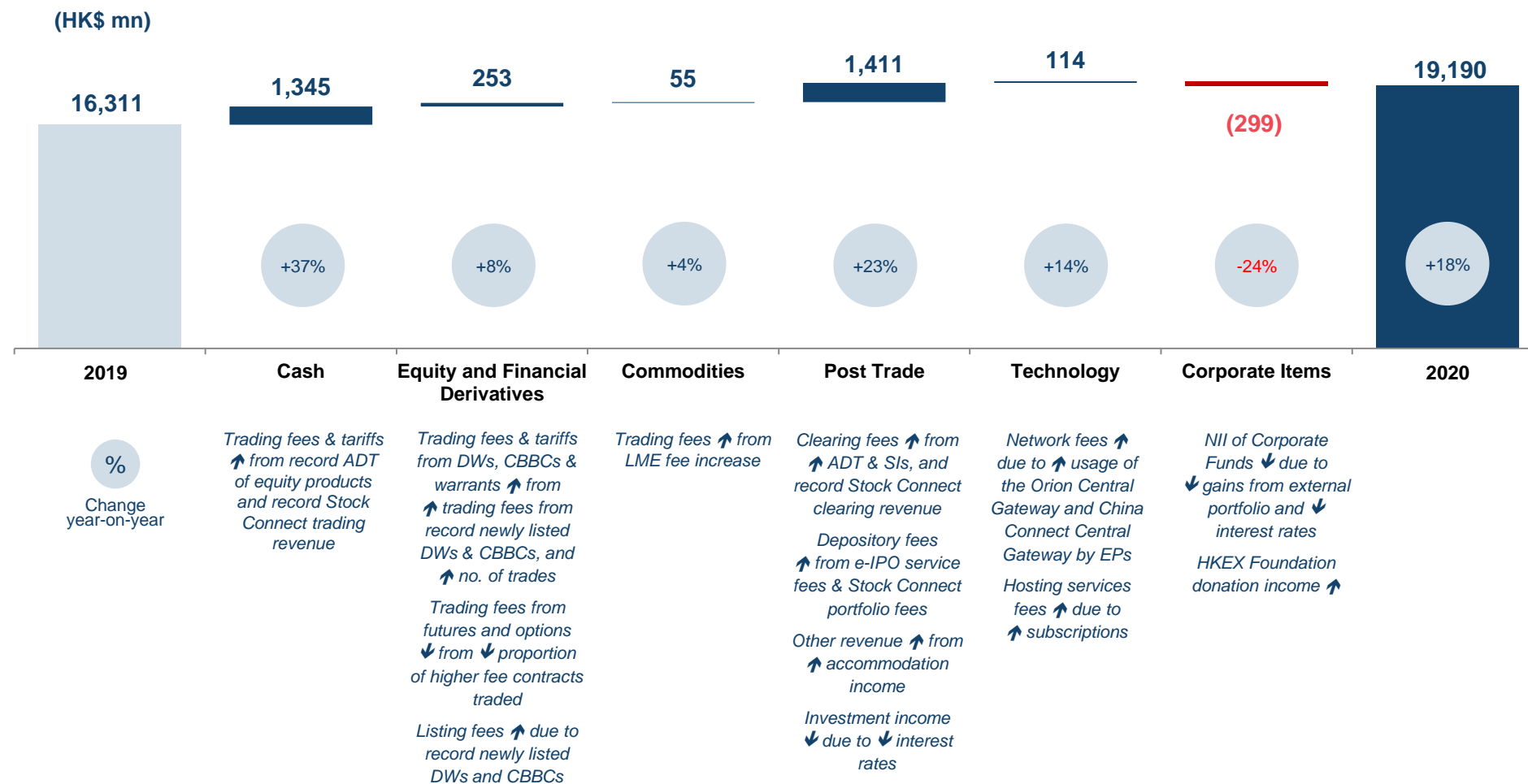
**2020 record financial results despite COVID-19 outbreak and volatile macroeconomic backdrop.**

1. Represents gross revenue and other income before deducting transaction-related expenses
2. Operating expenses exclude transaction-related expenses, depreciation and amortisation, finance costs, share of profits/(losses) of joint ventures, and costs arising from the proposed combination with LSEG. The figures have been restated to conform with latest presentation in the financial statements.
3. Dotted trend lines are illustrative and do not constitute a forward forecast.



# Higher Revenue Across All Business Segments, Offsetting Lower Net Investment Income

## Segmental revenue



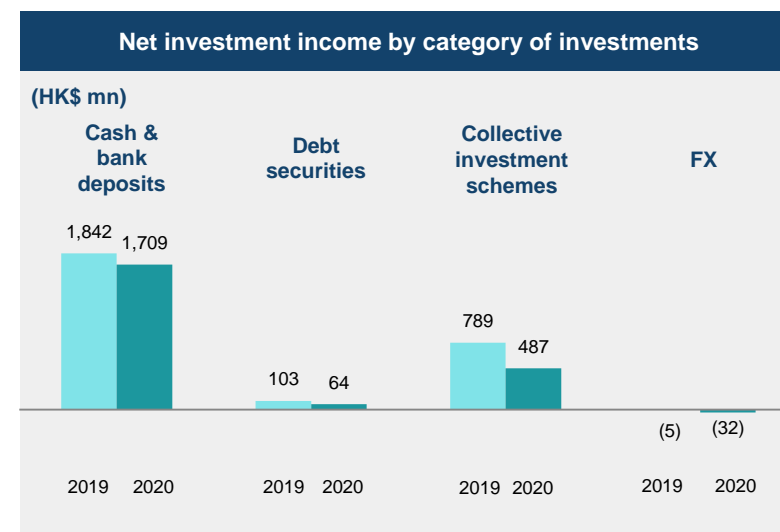
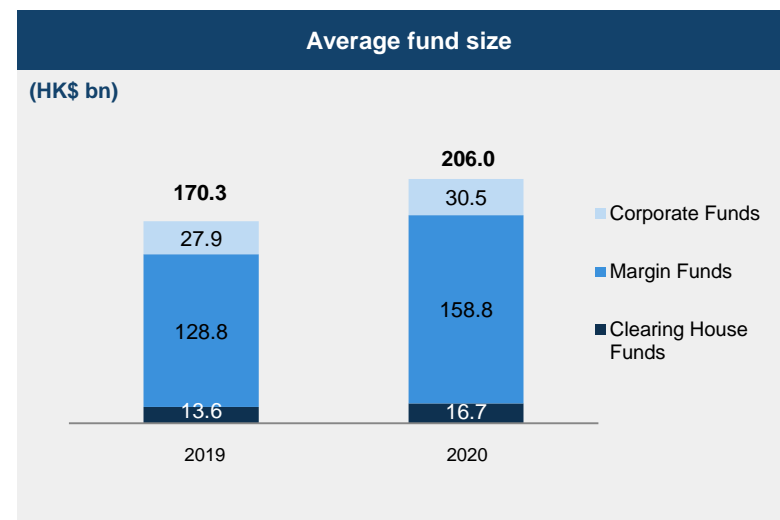
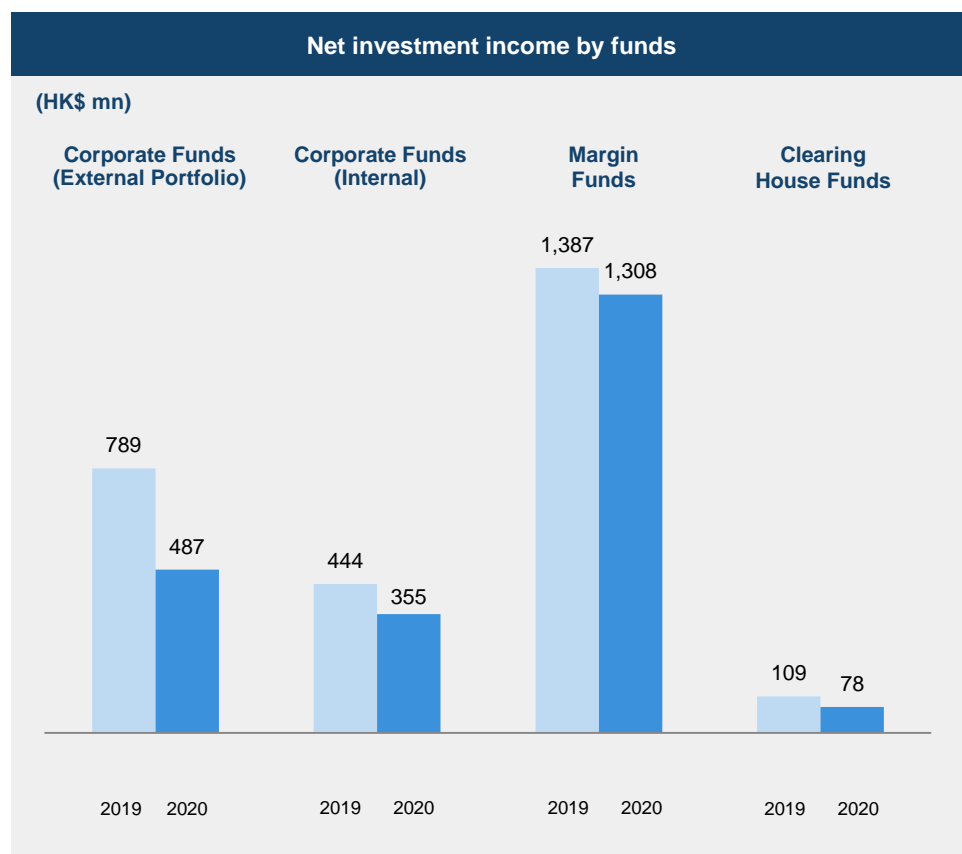
1. Headline ADT up 49% (2020: HK\$129.5bn; 2019: HK\$87.2bn); ADT of equity products included under Cash segment up 60% (2020: HK\$110.9bn; 2019: HK\$69.2bn); ADT of DWs, CBBCs and warrants included under Equity and Financial Derivatives segment up 3% (2020: HK\$18.6bn; 2019: HK\$18.0bn)



# Lower Net Investment Income in a Low Interest Rate Environment

2020: HK\$2,228mn (2019: HK\$2,729mn)

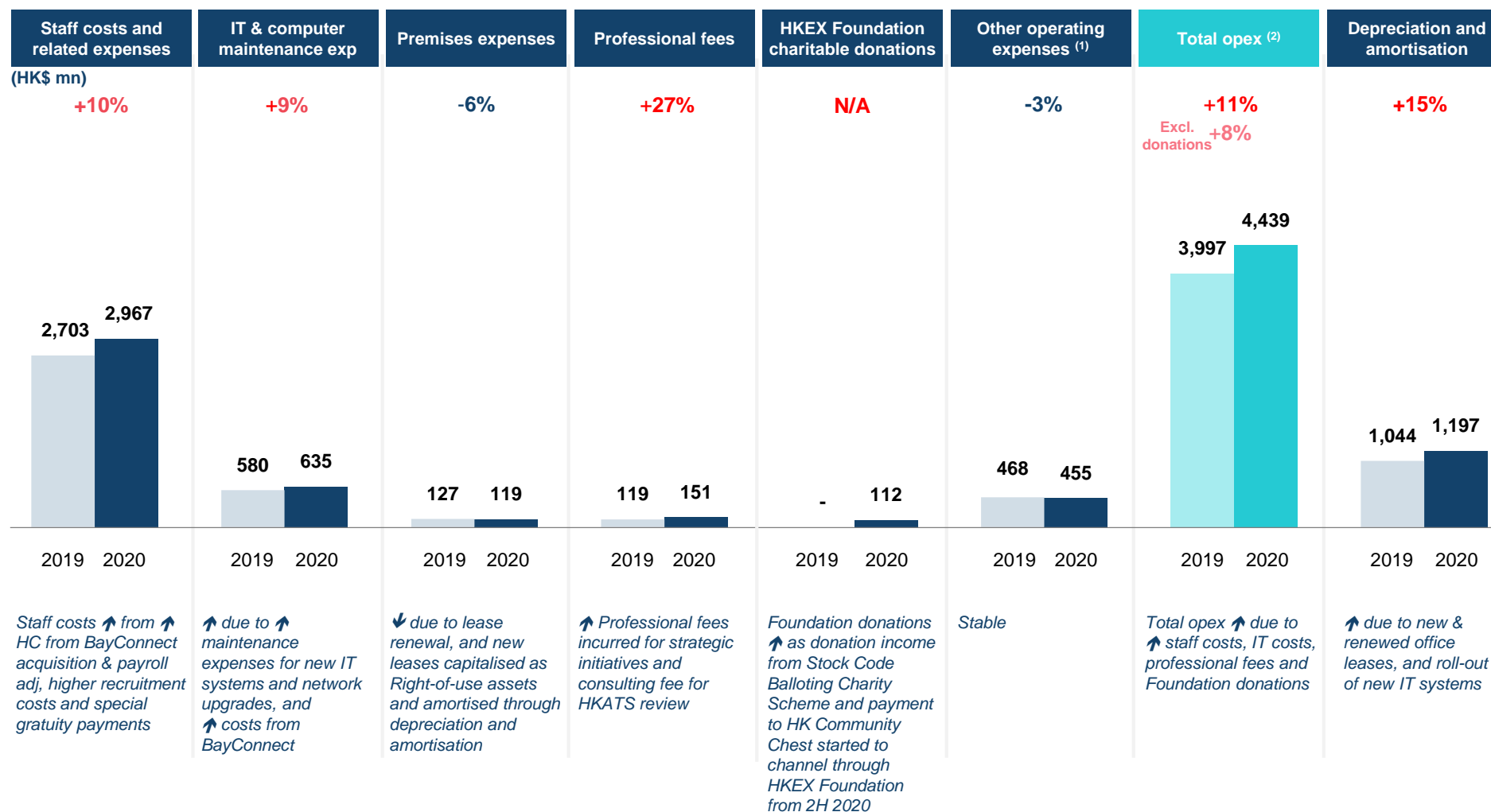
- External portfolio – lower gains reflecting market valuations
- Internal funds – lower income from reduced interest rates, partly offset by higher fund sizes





# Operating Expenses, Depreciation & Amortisation

## Investment in Talent, Infrastructure and Strategic Initiatives



1. Includes product marketing and promotion expenses

2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, share of profits/(losses) of joint ventures, and costs arising from the proposed combination with LSEG



# Business and Strategic Update



# 1 | Key Growth Drivers

*Emerging New Economy Sectors Enhancing HK Market's Strength and Relevance as an IFC*

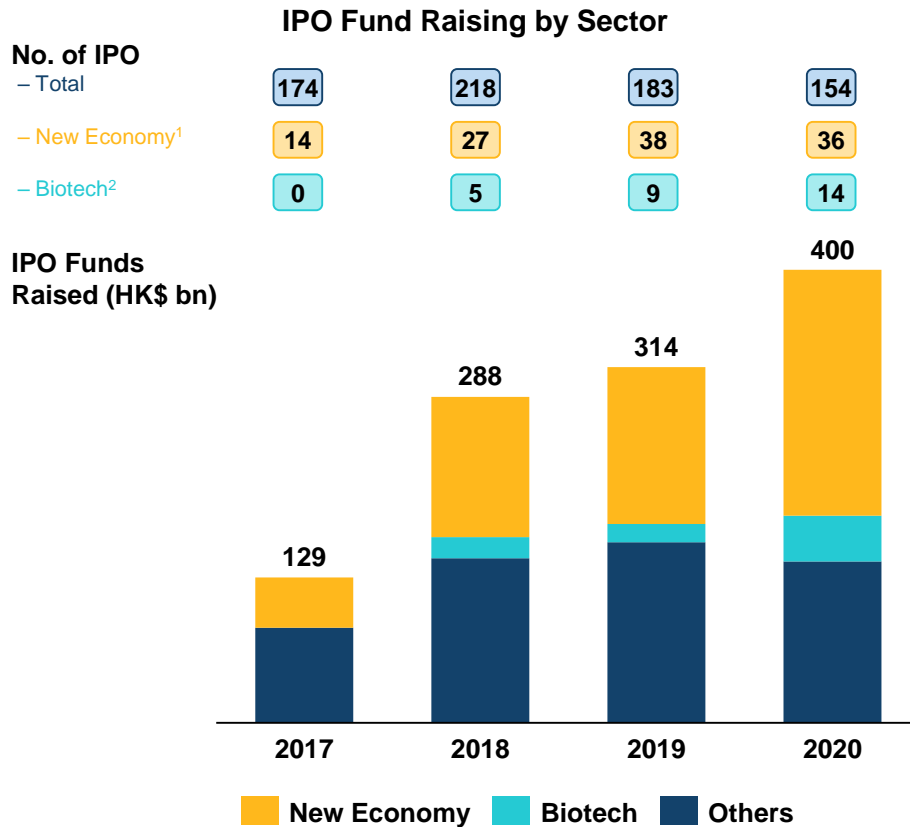
*Continued Reform and Opening-up of China's Capital Markets Supporting Growing Capital Inflow*

*Structural Shifts Attracting Southbound Capital into the HK Market*

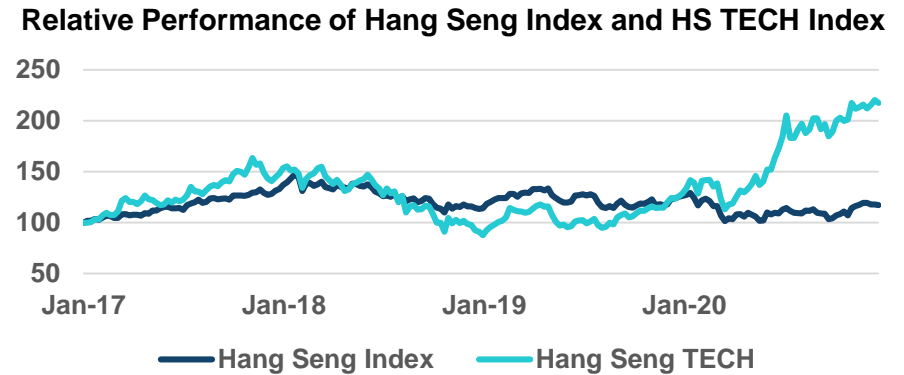




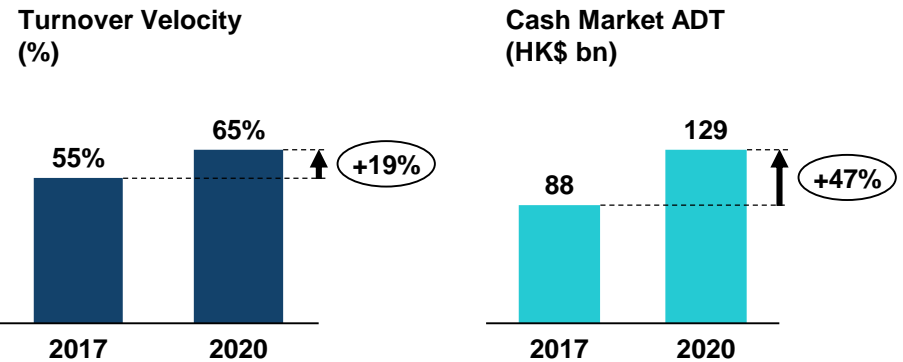
# 1 | Emerging New Economy Sectors Enhancing HK Market's Strength and Relevance as an IFC



*~60% of the IPO funds raised since listing reforms in 2018 are from new economy sectors*



*Tech stocks outperformed the broader HK market in 2020*



*Structural improvements in market velocity and liquidity*

Source: HKEX, Bloomberg

1. Include Non-18A biotech companies
2. Only include Chapter 18A biotech companies



## 2 | Business Strength and Resiliency Delivering Strong Performance

### Robust Core Business Performance Against Challenging Macro Backdrop

- Strong performance in Cash Market; Derivatives and FICC also performing well
- Cash Market ADT +49%YoY at HK\$129.5bn (record high)
- Futures & Options ADV +6%YoY
- LME chargeable ADV -7%YoY

### Strongest Performance in IPO Market since 2010

- #2 by IPO funds raised (HK\$400.2bn), 27%YoY growth (highest since 2010) and 64% contributed by new economy and biotech companies
- #4 globally by number of new company listings (154), including 50 new economy and biotech companies
- 16 jumbo IPOs (e.g. JD.com, JD Health and NetEase) in 2020, each raising US\$1bn+
- 24% of cash ADT and 16% of stock option ADV in 2020 was contributed by the 28 jumbo IPOs since 2018

### New Records Across All Connect Schemes

- Stock Connect: Record revenue of HK\$1,926mn (+91%YoY); Northbound ADT of RMB91.3bn (+119%YoY) and Southbound ADT of HK\$24.4bn (+126%YoY)
- Bond Connect: Record ADT of RMB19.8bn (+85%YoY)



## 3 | Strategic Plan on Track – 2020 Highlights (1/2)

### China Anchored – Facilitating China’s Internationalisation and Investment Diversification

- **Expanded Stock Connect underlying** – inclusion of Shanghai STAR Market A-shares and their corresponding H-shares; HK-listed pre-revenue biotech companies
- **Improved Stock Connect access** – Master SPSA to better support NB Stock Connect trading; stocks under SB Stock Connect added to Mainland annuity funds’ investment scope
- **Enhanced Bond Connect** – settlement cycles, launch of electronic bond issuance system (ePrime), trading hours extension
- **Extended China onshore capabilities** – minority investment in Guangzhou Futures Exchange (announced in Feb 2021)

### Globally Connected – Bringing Global Liquidity to China and Asia Pacific Underlying

- **Enhanced IPO regime** – new grandfather arrangements enabling qualifying issuers with Corporate WVR to seek secondary listings in Hong Kong
- **Broadened product ecosystem** – MSCI suite of 38 Asia and Emerging Markets Index Futures, Hang Seng TECH Index Futures (2020) and Options (2021), USD/CNH silver futures
- **Strengthened ETF ecosystem** – new types of ETPs, introduced new spread table and continuous quoting market making obligation to enhance liquidity
- **Improved market microstructure** – enhanced Volatility Control Mechanism and Pre-Opening Session, temporary migration of LME trading from the Ring to electronic pricing





## 3 | Strategic Plan on Track – 2020 Highlights (2/2)

### Technology Empowered – Leveraging New Technology for Modernisation and Growth

- **Streamlining IPO subscription and settlement cycle** – published FINI concept paper
- **Automating and streamlining post trade work flow for NB Stock Connect** – proposed launch of Synapse in Q1 2022
- **Enhancing business operational efficiencies** – ongoing deployment of technologies (e.g., Robotic Process Automation, AI) across HKEX businesses
- **Expanding our horizons** – launch of Fusion Bank, minority investment in Huakong TsingJiao

### Embedding Sustainability within Our Business

- **Anchoring sustainable finance ecosystem** – launch of Sustainable and Green Exchange (STAGE), Asia's first multi-asset sustainable investment product platform
- **Deepening commitment to our communities** – launch of HKEX Foundation with its flagship HKEX Charity Partnership Programme
- **Enhancing issuers' ESG disclosure** – additional guidance materials on ESG reporting
- **Promoting sustainability in global metal markets** – LME discussion paper proposing the way forward to make metals a cornerstone of a sustainable future



## Looking Ahead

- **Strong momentum into 2021** – record high monthly ADT in January
- **Continued strong flow in Stock Connect** – record monthly Southbound ADT in January; Northbound ADT reached the second highest monthly record
- **Strong IPO pipeline** – new economy, biotech and homecoming listings
- **Signs of post-COVID recovery** – Strong economic performance in China, global vaccine rollout, policy support from world's major central banks
- **But macro-economy remains fragile** – path ahead will not be straightforward, low interest rate environment may negatively impact investment income
- **However, HKEX remains resilient and well placed to capitalise on opportunities and address challenges** – core business performing well with new products and initiatives in the pipeline
- **HKEX CEO-designate announced** – focus remains on strategic delivery and excellence in operational execution, through good cost discipline, talent and risk management





## 2020 Financial Performance (vs. 2019)

- Record Revenue and PAT for third consecutive year
- Core Business Revenue up 24%; Total Revenue and Other Income up 18% to HK\$19.2bn
- Record Revenue for Connect Schemes; HKEX #2 by IPO funds raised
- EBITDA up 19% to HK\$14.6bn
- PAT up 23% to HK\$11.5bn
- Dividend per share for 2020 up 22% to \$8.17

... Welcome questions

Q&A Session begins now





# Appendix



# Financial Highlights – Income Statement

(HK\$ mn, unless stated otherwise)	2020	% of Revenue & Other Income	2019	% of Revenue & Other Income	YoY Change
<b>Results</b>					
Revenue and other income	19,190	100%	16,311	100%	18%
Less: Transaction-related expenses	(110)	(1%)	(51)	(0%)	116%
<b>Revenue and other income less transaction-related expenses</b>	<b>19,080</b>	<b>99%</b>	<b>16,260</b>	<b>100%</b>	<b>17%</b>
Operating expenses	(4,439)	(23%)	(3,997)	(25%)	11%
<b>EBITDA</b>	<b>14,641</b>	<b>76%</b>	<b>12,263</b>	<b>75%</b>	<b>19%</b>
Depreciation and amortisation	(1,197)	(6%)	(1,044)	(6%)	15%
<b>Operating profit</b>	<b>13,444</b>	<b>70%</b>	<b>11,219</b>	<b>69%</b>	<b>20%</b>
Costs relating to proposed combination with LSEG	-	0%	(123)	(1%)	(100%)
Finance costs and share of profits less losses of joint ventures	(112)	(1%)	(145)	(1%)	(23%)
<b>Profit before taxation</b>	<b>13,332</b>	<b>69%</b>	<b>10,951</b>	<b>67%</b>	<b>22%</b>
Taxation	(1,845)	(10%)	(1,561)	(10%)	18%
Loss attributable to non-controlling interests	18	0%	1	0%	1,700%
<b>Profit attributable to HKEX shareholders</b>	<b>11,505</b>	<b>60%</b>	<b>9,391</b>	<b>58%</b>	<b>23%</b>
<b>Capex</b>	<b>1,388</b>		<b>1,068</b>		<b>30%</b>
Basic earnings per share	<b>HK\$9.11</b>		<b>HK\$7.49</b>		<b>22%</b>
<b>Headline ADT on the Stock Exchange</b>	<b>HK\$129.5 bn</b>		<b>HK\$87.2 bn</b>		<b>49%</b>

1. % does not add up due to roundings.





## Performance by Operating Segment

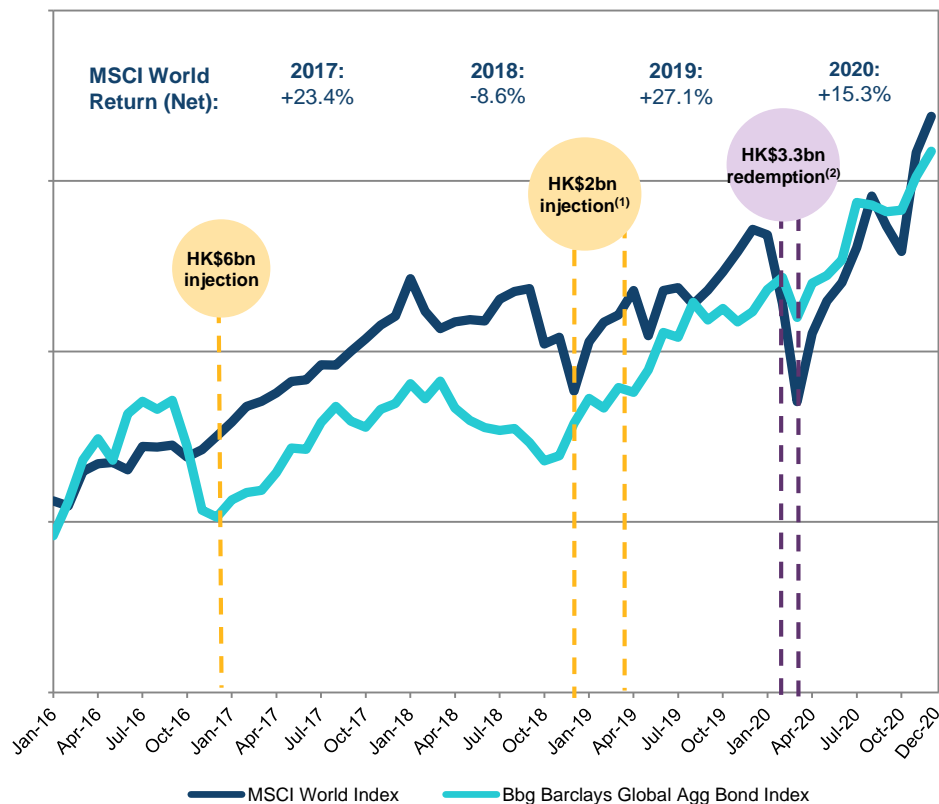
HK\$ mn	Cash	Equity & Financial Derivatives	Commodities	Post Trade	Technology	Corporate Items	Group 2020	Group 2019
<b>Revenue and other income</b>	<b>4,991</b>	<b>3,241</b>	<b>1,454</b>	<b>7,637</b>	<b>910</b>	<b>957</b>	<b>19,190</b>	<b>16,311</b>
<i>% of Group Total</i>	<i>26%</i>	<i>17%</i>	<i>7%</i>	<i>40%</i>	<i>5%</i>	<i>5%</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	-	(85)	-	(25)	-	-	(110)	(51)
<b>Revenue and other income less transaction-related expenses</b>	<b>4,991</b>	<b>3,156</b>	<b>1,454</b>	<b>7,612</b>	<b>910</b>	<b>957</b>	<b>19,080</b>	<b>16,260</b>
<b>Operating expenses</b>	<b>(595)</b>	<b>(607)</b>	<b>(692)</b>	<b>(860)</b>	<b>(304)</b>	<b>(1,381)</b>	<b>(4,439)</b>	<b>(3,997)</b>
<b>EBITDA</b>	<b>4,396</b>	<b>2,549</b>	<b>762</b>	<b>6,752</b>	<b>606</b>	<b>(424)</b>	<b>14,641</b>	<b>12,263</b>
<i>% of Group Total</i>	<i>30%</i>	<i>18%</i>	<i>5%</i>	<i>46%</i>	<i>4%</i>	<i>(3%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin<sup>(1)</sup></i>	<i>88%</i>	<i>81%</i>	<i>52%</i>	<i>89%</i>	<i>67%</i>	<i>N/A</i>	<i>77%</i>	<i>75%</i>
Depreciation and amortisation	(133)	(114)	(340)	(322)	(38)	(250)	(1,197)	(1,044)
Costs relating to proposed combination with LSEG	-	-	-	-	-	-	-	(123)
Finance costs	(13)	(13)	(8)	(84)	(2)	(61)	(181)	(177)
Share of profits less losses of joint ventures	68	1	-	-	-	-	69	32
<b>Profit before taxation</b>	<b>4,318</b>	<b>2,423</b>	<b>414</b>	<b>6,346</b>	<b>566</b>	<b>(735)</b>	<b>13,332</b>	<b>10,951</b>

1. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.

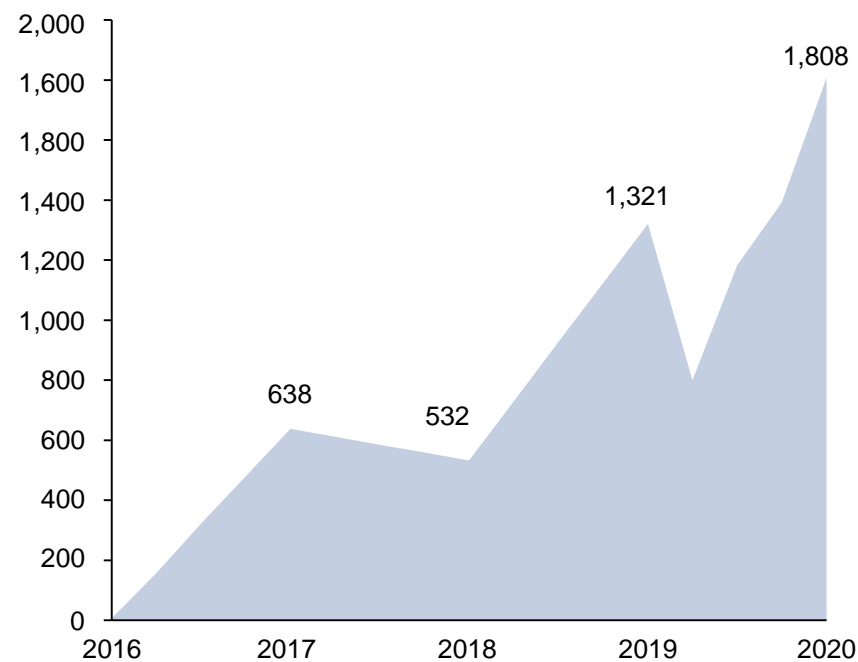


# External Portfolio – Annualised Return of 6.7% since Inception

Point of Injection / Redemption



Cumulative gains since inception (HK\$ mn)



**After a year of extreme volatility, the external portfolio made a gain of HK\$487mn in 2020 (8.8% return). The cumulative gains of the portfolio since inception four years ago amounted to HK\$1.8 bn (annualised return of 6.7%).**

1. HKEX added HK\$2bn to the portfolio during the period from Q4 2018 to Q2 2019.
2. HK\$3.3bn was redeemed in 1H 2020 and converted into cash and money market funds.

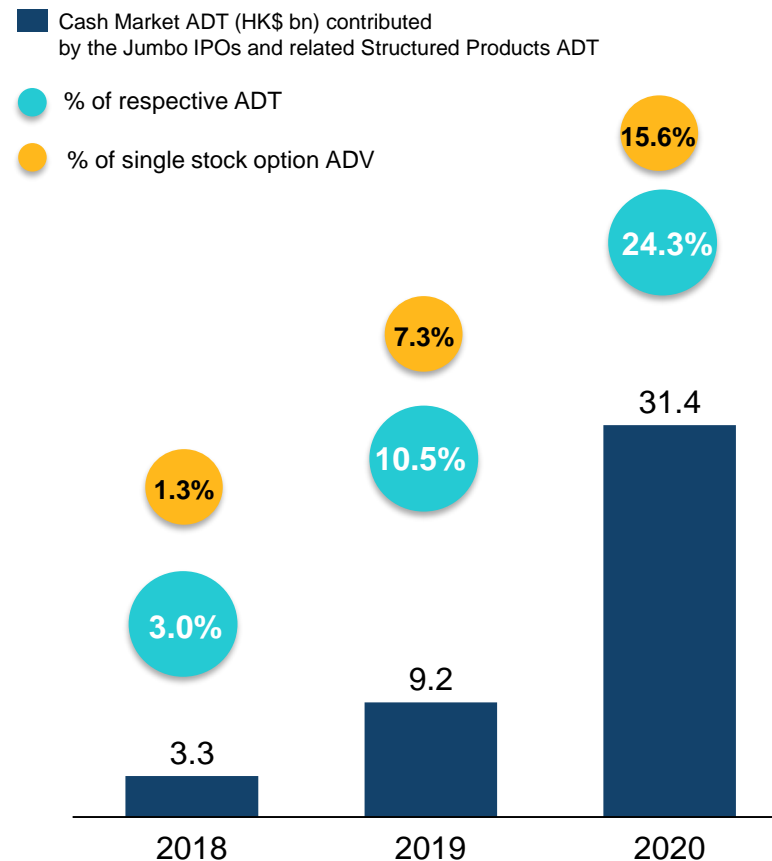


# Jumbo IPOs Contributing to Increased Trading Activity

## 28 Jumbo IPOs >US\$1bn (HK\$7.8bn) since Jan 2018

Rank	Company name	IPO date	IPO size (HK\$bn)
1	Alibaba Group - SW	26/11/2019	101.20
2	China Tower - H	08/08/2018	58.80
3	Budweiser Brewing APAC	30/09/2019	45.08
4	Xiaomi Corporation - W	09/07/2018	42.61
5	JD.COM - SW	18/06/2020	34.56
6	Meituan Dianping - W	20/09/2018	33.14
7	JD Health International	08/12/2020	31.00
8	Netease - S	11/06/2020	24.26
9	Yum China - S	10/09/2020	17.27
10	China Bohai Bank - H	16/07/2020	15.90
11	GDS - SW	02/11/2020	14.88
12	Evergrande Property	02/12/2020	14.27
13	ESR Cayman Ltd.	01/11/2019	14.06
14	Tigermed - H	07/08/2020	12.31
15	China Resources Mixc	09/12/2020	12.27
16	New Oriental - S	09/11/2020	11.65
17	Blue Moon Group	16/12/2020	11.31
18	ZTO Express - SW	29/09/2020	11.28
19	Shimao Services	30/10/2020	9.95
20	Nongfu Spring - H	08/09/2020	9.60
21	Shenwan Hongyuan - H	26/04/2019	9.09
22	Hansoh Pharmaceutical Group	14/06/2019	9.04
23	Topsports International	10/10/2019	9.01
24	Ping An Healthcare &Tech	04/05/2018	8.77
25	Jiangxi Bank - H	26/06/2018	8.60
26	WuXi AppTec - H	13/12/2018	8.28
27	Smooore	10/07/2020	8.19
28	Sunac Service	19/11/2020	8.00

## Rising contribution to volumes from Jumbo IPOs



In 2020, 24% of cash ADT and 16% of stock option ADV was contributed by the top 28 IPOs over the last three years

Source: HKEX, as of Dec 2020.

1. Ranked by IPO size.



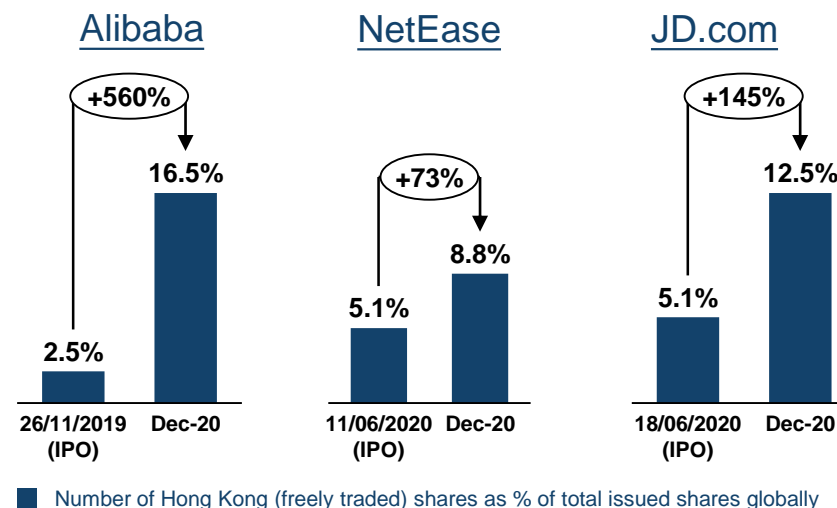


# Trading Volume Migration and ADR Conversion from Secondary Listings

## HKEX Trading Share – 2020

% of Trading	Alibaba	NetEase	JD.com
<b>SEHK</b>	<b>18.1%</b>	<b>32.9%</b>	<b>22.5%</b>
FINRA ADF	29.5%	16.5%	26.9%
NYSE	<b>15.4%</b>	2.4%	1.5%
NASDAQ	11.3%	<b>27.4%</b>	<b>26.3%</b>
NYSE Arca	7.8%	7.2%	7.8%
Other US Exchanges	17.8%	13.5%	15.0%

## ADR conversion to HK shares



## Strong Boost to HK Markets Trading

ADT/ADV in HKEX	Alibaba, NetEase & JD	Market Total	%
<b>Equities + DWs + CBBCs</b> (HK\$ bn)	<b>10.9</b>	<b>129.5</b>	<b>8.4</b>
<b>SSO</b> (Volume, '000)	<b>24.8</b>	<b>526.2</b>	<b>4.7</b>

**Alibaba, NetEase and JD.com secondary listings contributed to ~8% of Hong Kong market's ADT in 2020, with a clear trend of ADR conversion to HK shares**

Source: HKEX, FactSet, as of 31 December 2020 (quarterly update)

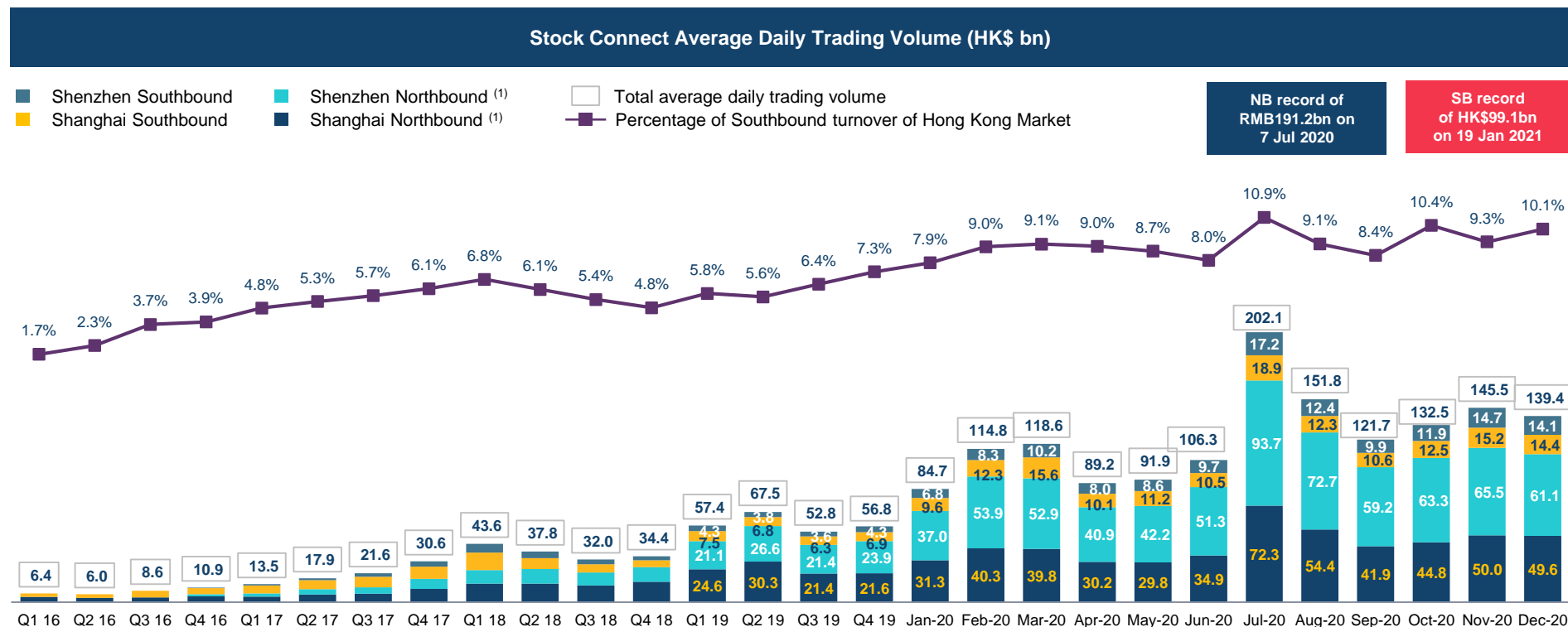
Note: Alibaba is listed on NYSE, while NetEase and JD.com are listed on NASDAQ (figures as bold)

1. Based on total CCASS balance deducting the balance of main custodian bank as reference



# Stock Connect – Trading Trends

Stock Connect generated record revenue of HK\$1,926mn in 2020, 91% higher than 2019 (HK\$1,009mn)



Stock Connect Northbound and Southbound Trading ADT reached RMB91.3bn and HK\$24.4bn respectively in 2020

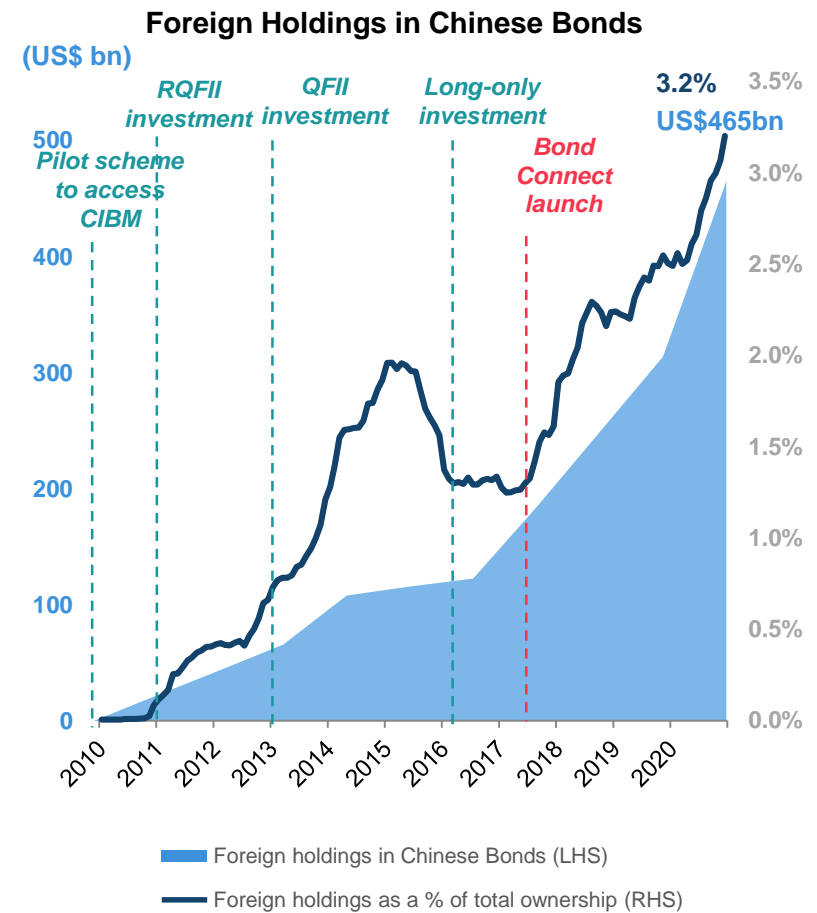
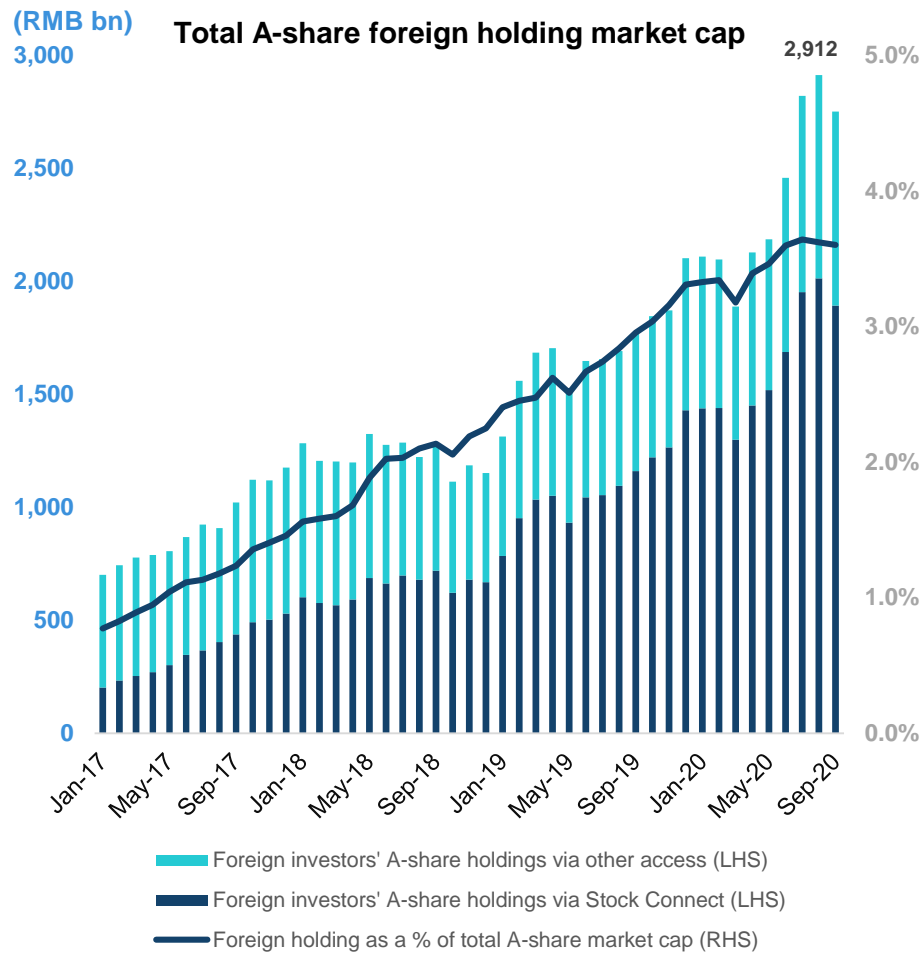
Stock Connect revenue continued to set record highs, reaching 10% of the Group's total revenue and other income in 2020 (2019: 6%)

Source: HKEX, SSE and SZSE data

1. Northbound (NB) trading is conducted in RMB; the NB figures in the chart are converted to HKD based on the month-end exchange rate.
2. May not add up due to roundings



# Continued Reform and Opening Up of China's Capital Markets



**In 2020, over 65% of foreign holding in A-shares were under Stock Connect, vs 30% in 2017 1H.**

**In 2020, number of Bond Connect participants increased by over 700 to 2,352**

**Our Connect schemes remain the preferred channel for most investors to invest in Mainland**

Source: Wind, PBOC, ChinaBond, SCH



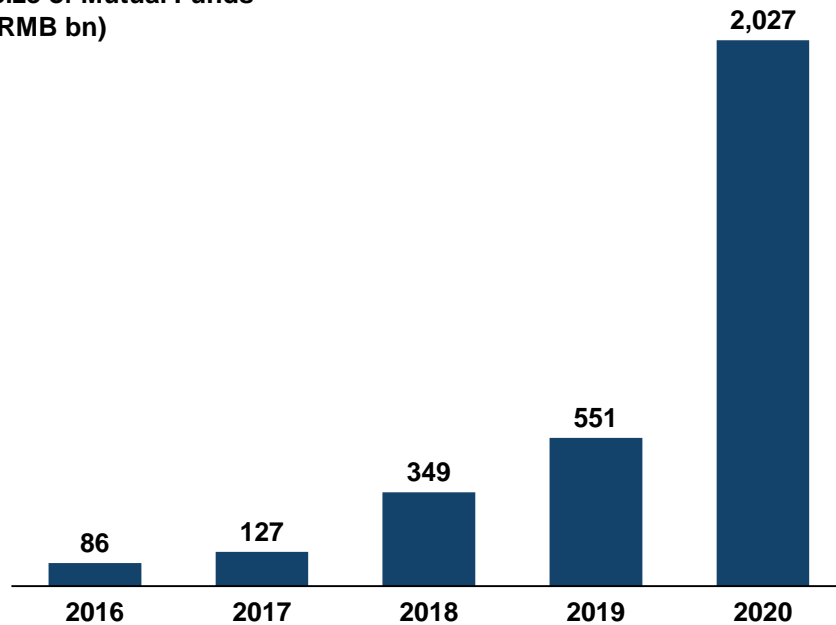
# Structural Shifts Attracting Southbound Capital into HK

## Mainland Mutual Funds with Ability to Invest into HK

# of Mutual Funds



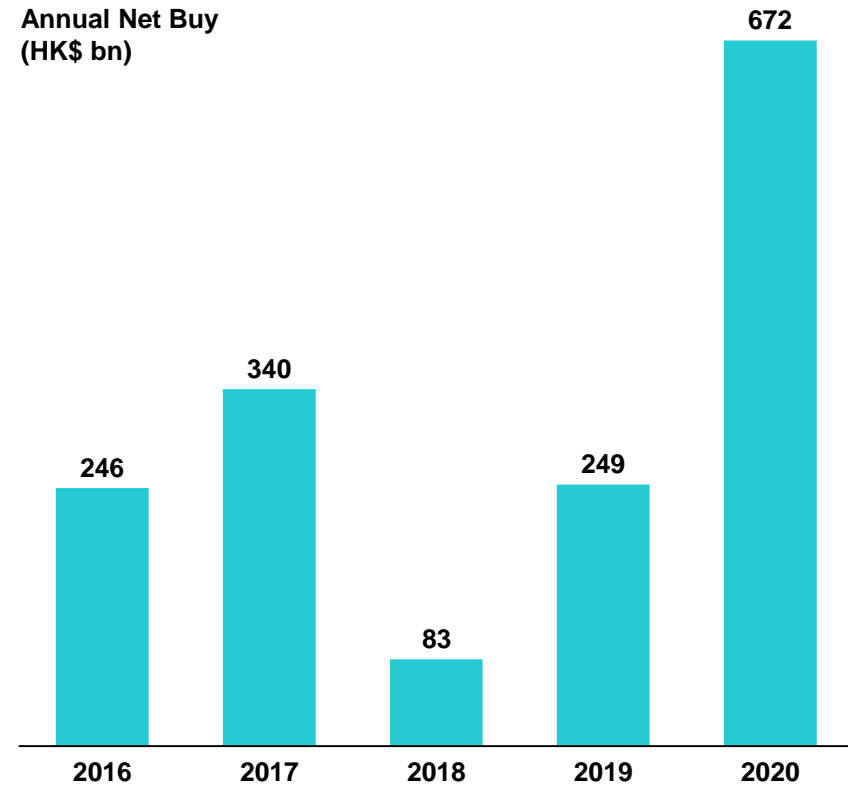
Size of Mutual Funds (RMB bn)



*Increasing scale of Mainland funds with ability to invest into the HK market*

## Southbound Stock Connect Net Buy

Annual Net Buy (HK\$ bn)



*Strong net buy in 2020 into the HK market by Mainland investors*

**Mainland capital has been flowing into the HK stock market via Southbound Stock Connect**

Source: HKEX, WIND, CICC







# Thank you.

For further information on HKEX, please go to  
[hkexgroup.com](http://hkexgroup.com) and [hkexnews.hk](http://hkexnews.hk)

