

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 announcement, 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 announcement.



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)

## **QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2021**

## HIGHLIGHTS

### Calvin Tai, Interim Chief Executive said:

“HKEX has had a strong start to 2021, reporting record quarterly revenue and other income, and profit. This was driven by a buoyant IPO market and very robust trading volumes, with headline ADT and Stock Connect having their best quarter ever. Set against a challenging economic and geopolitical backdrop, we continue to execute on our Strategic Plan 2019-2021, driving performance and delivery, demonstrating our resiliency and remaining responsive to both the needs of our customers and the broader market. We continue to manage our costs and risks and I am confident we remain well-placed to capture future growth opportunities.”

### Strategic Highlights

- Headline ADT<sup>1</sup>, Stock Connect Northbound and Southbound ADT reached record quarterly highs of \$224.4 billion, RMB126.8 billion and \$60.8 billion respectively
- Eligible A shares listed on Shanghai’s STAR Market, and their corresponding H shares, were included in Stock Connect
- Bond Connect ADT reached a record quarterly high of RMB25.3 billion
- Hong Kong’s initial public offering (IPO) market raised \$136.6 billion in Q1 2021, more than 9 times that of Q1 2020, and ranking third globally by IPO funds raised
- New product launches in Q1 included: first Hong Kong-listed biotech companies focused ETF; first ETF tracking the Shanghai’s STAR Market; first L&I Products tracking the FTSE China A50 Index; Hang Seng Tech Index Options; MSCI China Free (USD) Index Options and MSCI Taiwan (USD) Index Options
- The Volatility Control Mechanism (VCM) second phase enhancement in the Cash Market was successfully implemented
- Completion of the derivatives system infrastructure upgrade and the relocation of the secondary data centre
- The Stock Exchange published a consultation paper on proposals to enhance and streamline listing regime for overseas issuers
- The LME published a discussion paper on future market structure
- The LME successfully launched its electronic warranting solution, replacing paper warrants

### Financial Highlights

- Q1 2021 revenue and other income reached record quarterly high, 49 per cent higher than Q1 2020 (up 17 per cent on Q4 2020)
  - Core business revenue was up 35 per cent against Q1 2020, reflecting higher trading and clearing fees, driven by record headline ADT
  - Stock Connect revenue and other income reached record quarterly high of \$737 million, up 82 per cent against Q1 2020
  - Net investment income was \$418 million in Q1 2021, reflecting, primarily, fair value gains of collective investment schemes set against fair value losses in the prior period, in-line with valuations in global equity and fixed income markets
- Operating expenses were 9 per cent higher than Q1 2020 (15 per cent lower than Q4 2020). Excluding HKEX Foundation charitable donations<sup>2</sup>, operating expenses were up 7 per cent against Q1 2020, attributable to higher staff and IT costs, partly offset by lower professional fees
- EBITDA margin<sup>3</sup> was 81 per cent, 6 per cent higher than Q1 2020 (7 per cent higher than Q4 2020)
- Profit attributable to shareholders reached record quarterly high of \$3,840 million, 70 per cent higher than Q1 2020 (31 per cent higher than Q4 2020)

1 ADT of equity products, derivative warrants (DWs), callable bull/bear contracts (CBBCs) and warrants traded on the Stock Exchange

2 HKEX Foundation Limited (HKEX Foundation) was established to deepen HKEX’s connectivity and long-standing commitment to our communities. From July 2020 onwards, the donation income from the Stock Code Balloting Charity Scheme was received by HKEX Foundation, and then the amounts previously paid by issuers directly to the Hong Kong Community Chest were paid by HKEX Foundation. As a result, HKEX recorded both donation income of \$46 million, under revenue and other income; and HKEX Foundation charitable donations of \$25 million, under operating expenses in Q1 2021.

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

## Key Financials

	Q1 2021 \$m	Q1 2020 \$m	Change
Revenue and other income			
Core business revenue	<b>5,492</b>	4,056	35%
HKEX Foundation donation income <sup>2</sup>	<b>46</b>	-	N/A
Net investment income/(loss)	<b>418</b>	(47)	N/A
	<b>5,956</b>	4,009	49%
Operating expenses	<b>1,102</b>	1,008	9%
EBITDA	<b>4,809</b>	2,984	61%
Profit attributable to shareholders	<b>3,840</b>	2,262	70%
Basic earnings per share	<b>\$3.03</b>	\$1.80	68%

## Key Market Statistics

	Q1 2021	Q1 2020	Change
ADT of equity products traded on the Stock Exchange <sup>4</sup> (\$bn)	<b>198.0*</b>	103.4	91%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	<b>26.4</b>	17.5	51%
ADT traded on the Stock Exchange (Headline ADT) <sup>4,5</sup> (\$bn)	<b>224.4*</b>	120.9	86%
ADT of Northbound Trading of Stock Connect <sup>4</sup> (RMBbn)	<b>126.8*</b>	78.0	63%
ADT of Southbound Trading of Stock Connect <sup>4,5</sup> (\$bn)	<b>60.8*</b>	21.6	181%
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	<b>584</b>	761	(23%)
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	<b>827*</b>	537	54%
Chargeable ADV <sup>6</sup> of metals contracts traded on the LME ('000 lots)	<b>536</b>	682	(21%)
ADT of Bond Connect (RMBbn)	<b>25.3*</b>	19.3	31%

\* New record quarterly highs in Q1 2021

4 Includes buy and sell trades under Stock Connect

5 ADT of Southbound Trading is included within Headline ADT.

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

## BUSINESS REVIEW

### Overview

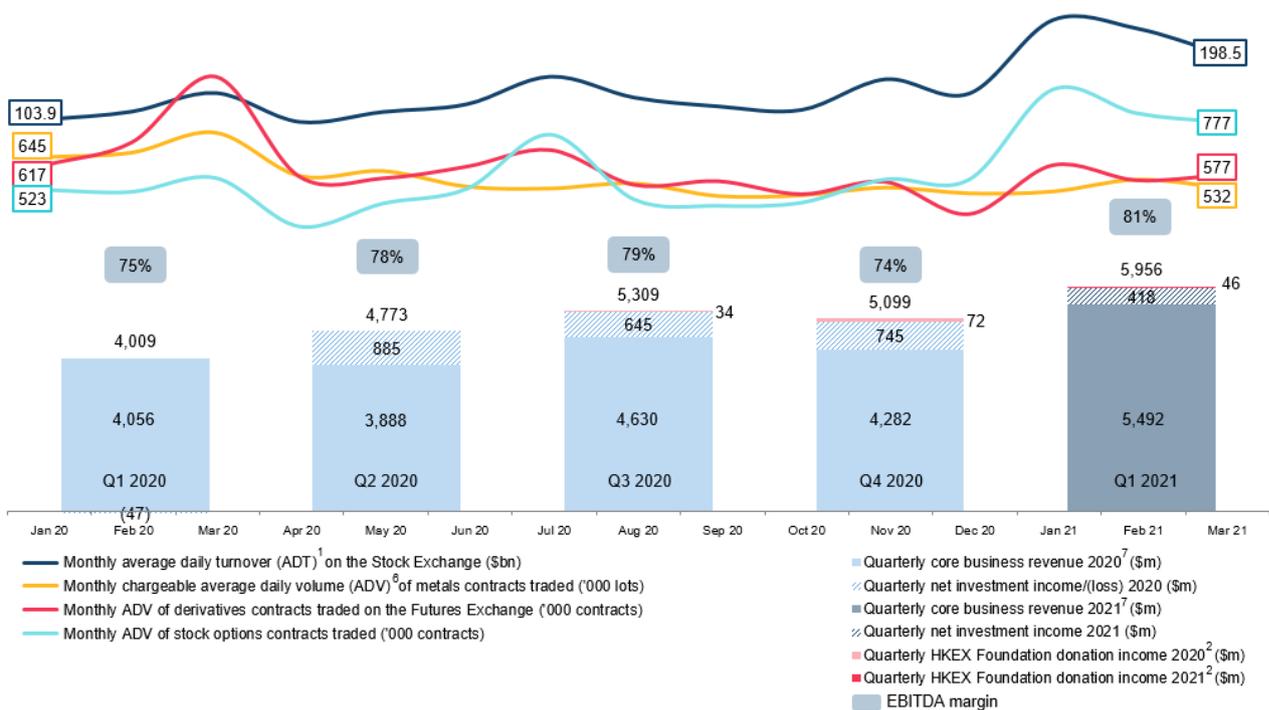


Fig. 1 – Market activity and Group's<sup>8</sup> revenue and other income/(loss)

HKEX saw a strong start to 2021 with record monthly high ADT in January of \$245.7 billion, and five trading days with turnover exceeding \$300 billion in Q1 2021. As a result, headline ADT rose to record quarterly high of \$224.4 billion in Q1 2021, 86 per cent and 59 per cent above Q1 2020 and Q4 2020 respectively. Stock Connect trading volumes also saw record quarterly highs with Northbound ADT being 63 per cent and 33 per cent higher than Q1 2020 and Q4 2020 respectively, and Southbound ADT being 181 per cent and 116 per cent higher than Q1 2020 and Q4 2020 respectively. The Hong Kong IPO market continued to be vibrant, welcoming 32 new company listings in Q1 2021, raising \$136.6 billion, more than 9 times that of Q1 2020, ranking HKEX third globally by IPO funds raised.

Revenue and other income reached a record quarterly high of \$5,956 million, 49 per cent above Q1 2020, driven by higher trading and clearing fees, and fair value gains on collective investment schemes of \$159 million, reflecting the broader performance of the global equity and fixed income markets.

Operating expenses increased by 9 per cent against Q1 2020, but were 15 per cent lower than Q4 2020. Excluding HKEX Foundation charitable donations<sup>2</sup> of \$25 million, operating expenses were up 7 per cent against Q1 2020, mainly due to higher staff costs, and higher IT and computer maintenance expenses for new IT systems and upgraded networks, but partly offset by lower professional fees.

The Group maintained its focus on executing and delivering upon its Strategic Plan 2019-2021, whilst adopting a prudent approach to cost control and risk management, seeking growth opportunities and ensuring the continued stability and resilience of its markets and the business.

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

<sup>8</sup> HKEX and its subsidiaries, which include The Stock Exchange of Hong Kong Limited (SEHK or the Stock Exchange), Hong Kong Futures Exchange Limited (HKFE or the Futures Exchange), Hong Kong Securities Clearing Company Limited (HKSCC), HKFE Clearing Corporation Limited (HKCC), The SEHK Options Clearing House Limited (SEOCH), OTC Clearing Hong Kong Limited (OTC Clear), The London Metal Exchange (LME), LME Clear Limited (LME Clear), BayConnect Technology Company Limited (BayConnect) and other subsidiaries

## Analysis of Results and Business Update by Operating Segment

	Q1 2021				Q1 2020			
	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m
Results by segment:								
Cash	1,820	-	1,820	1,673	1,162	-	1,162	1,027
Equity and Financial Derivatives	1,011	(33)	978	801	898	(14)	884	741
Commodities	361	-	361	197	403	-	403	238
Post Trade	2,248	(12)	2,236	2,009	1,752	(3)	1,749	1,535
Technology	248	-	248	180	212	-	212	143
Corporate Items	268	-	268	(51)	(418)	-	(418)	(700)
	5,956	(45)	5,911	4,809	4,009	(17)	3,992	2,984

### Cash Segment

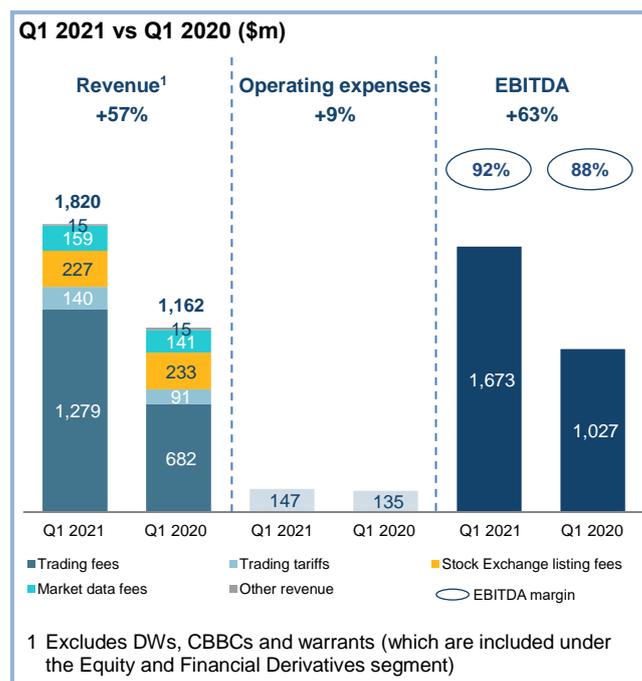
#### Analysis of Results

Revenue was up 57 per cent and EBITDA was up 63 per cent compared with Q1 2020.

Trading fees increased by \$597 million, or 88 per cent, compared with Q1 2020. This was attributable to the 91 per cent increase in ADT of equity products, partly offset by the number of trading days being 2 per cent lower. Trading tariffs rose by 54 per cent, driven by the increase in equity products' trading.

Stock Exchange listing fees dropped by \$6 million mainly due to a decrease in forfeitures.

Operating expenses increased by 9 per cent due to higher staff costs for new initiatives, and higher IT maintenance costs on upgraded systems and networks.



## Business Update

The Hong Kong securities market was resilient in Q1 2021. The benchmark Hang Seng Index (HSI) closed at 28,378 on 31 March 2021, up 4 per cent against 31 December 2020. Trading activity was strong during the quarter with record quarterly high headline ADT of \$224.4 billion, an increase of 86 per cent against Q1 2020 and 59 per cent against Q4 2020.

Stock Connect recorded strong volumes for both Northbound and Southbound Trading in Q1 2021, with ADT reaching record quarterly highs at RMB126.8 billion and \$60.8 billion respectively. In particular, Southbound Trading turnover reached record daily high of \$100.3 billion on 24 February 2021. As a result, Stock Connect generated record quarterly revenue of \$737 million (Q1 2020: \$404 million), of which \$596 million (Q1 2020: \$319 million) arose from trading and clearing activities.

On 1 February 2021, eligible A shares listed on the Sci-Tech Innovation Board (STAR Market) of the Shanghai Stock Exchange (SSE) were included in Northbound Trading under Shanghai-Hong Kong Stock Connect. Their corresponding H shares were also included in Southbound Trading on the same day. This inclusion marked another key milestone for the Stock Connect programme.

After the successful launch of the first phase enhancement of the Volatility Control Mechanism (VCM) in the Hong Kong securities market in May 2020, the second phase enhancement took effect from 29 March 2021, further strengthening market integrity by allowing multiple triggers of the VCM per applicable security in the same trading session.

Hong Kong continues to be a popular destination for issuers. In Q1 2021, HKEX welcomed 32 company listings (including three biotech companies listed under Chapter 18A of the Main Board Listing Rules, two issuers with weighted voting rights (WVR) structure under Chapter 8A, and three secondary listings under Chapter 19C), raising a total of \$136.6 billion. In particular, HKEX welcomed the listing of Kuaishou Technology, the third WVR issuer and the largest IPO since Alibaba in 2019. Total IPO funds raised in Q1 2021 were more than nine times that of Q1 2020, demonstrating the continued vibrancy of Hong Kong's IPO market. Hong Kong ranked third globally<sup>9</sup> by IPO funds raised.

ADT of Exchange Traded Products (ETPs)<sup>10</sup> increased to \$8.5 billion in Q1 2021 (Q1 2020: \$7.8 billion), partly attributable to the new innovative product listings and recent market structure enhancements. In Q1 2021, HKEX welcomed the listing of the first ETF tracking the SSE's STAR Market, the first ETF focusing on Hong Kong-listed biotech companies and the first batch of L&I Products tracking the FTSE China A50 Index.

Key Market Indicators	Q1	
	2021	2020
ADT of equity products traded on the Stock Exchange <sup>1,2</sup> (\$bn)	<b>198.0<sup>4</sup></b>	103.4
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect <sup>2</sup> (RMBbn)	<b>58.2<sup>4</sup></b>	33.9
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect <sup>2</sup> (RMBbn)	<b>68.6<sup>4</sup></b>	44.1
ADT of Southbound Trading – Shanghai-Hong Kong Stock Connect <sup>2</sup> (\$bn)	<b>29.5<sup>4</sup></b>	12.9
ADT of Southbound Trading – Shenzhen-Hong Kong Stock Connect <sup>2</sup> (\$bn)	<b>31.3<sup>4</sup></b>	8.7
ADT of Bond Connect (RMBbn)	<b>25.3<sup>4</sup></b>	19.3
Average daily number of trades of equity products traded on the Stock Exchange <sup>1,2</sup> ('000)	<b>2,458<sup>4</sup></b>	1,553
Number of newly listed companies on the Main Board <sup>3</sup>	<b>31</b>	37
Number of newly listed companies on GEM	<b>1</b>	2
Total equity funds raised		
- IPOs (\$bn)	<b>136.6</b>	14.4
- Post-IPO (\$bn)	<b>127.1</b>	80.7
Number of companies listed on the Main Board at 31 Mar	<b>2,187</b>	2,096
Number of companies listed on GEM at 31 Mar	<b>366</b>	377
Number of trading days	<b>61</b>	62
1 Excludes \$26.4 billion (Q1 2020: \$17.5 billion) of ADT of DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment) and includes ADT of Southbound Trading under Stock Connect		
2 Includes buy and sell trades under Stock Connect		
3 Includes nil transfer from GEM (Q1 2020: 2)		
4 New record quarterly highs in Q1 2021		

9 Dealogic

10 ETPs include Exchange Traded Funds (ETFs) and Leveraged and Inverse Products (L&I Products).

Bond Connect saw significant growth in Q1 2021, with ADT reaching a record quarterly high of RMB25.3 billion. In particular, in January 2021, ADT and net inflows both reached record monthly highs of RMB29.4 billion and RMB95.6 billion respectively, and the highest single-day turnover was recorded on 6 January 2021, with RMB41.6 billion traded. By the end of Q1 2021, Bond Connect had 2,450 institutional investors, up from 2,352 as at 31 December 2020. Key developments of Bond Connect in Q1 2021 are highlighted as follows:

- (i) The People's Bank of China announced a new Bond Connect filing arrangement, effective 9 March 2021, which enables filings to be submitted by the investment manager at entity level, with one filing for multiple products now required. This arrangement further facilitates overseas institutional investors' participation in China's inter-bank bond market;
- (ii) In March 2021, enhanced arrangements were implemented to allow Bond Connect investors selecting up to three foreign exchange (FX) settlement banks to conduct their currency conversion and facilitate their FX risk management needs; and
- (iii) On 29 March 2021, FTSE Russell confirmed that Chinese government bonds will be included in the FTSE World Government Bond Index (WGBI), with inclusion to be phased into the index over a period of 36 months commencing 29 October 2021.

HKEX's Sustainable and Green Exchange (STAGE) has continued to receive strong market support since its launch on 1 December 2020. As at 31 March 2021, a total of 49 sustainable-focused products from leading Asian corporates were displayed on STAGE, including green, social, sustainable or similar bonds from issuers across different sectors, as well as Environmental, Social and Governance (ESG) related ETPs. In Q1 2021, there were 19 green / ESG-related bond listings, raising a total of \$51.5 billion (Q1 2020: 3 listings raising \$7.3 billion), and one additional ESG-related ETP listing.

On 31 March 2021, the Stock Exchange published a Consultation Paper on Listing Regime for Overseas Issuers to seek public feedback on proposals to enhance and streamline the regime. The consultation period will close on 31 May 2021.

On 16 April 2021, the Stock Exchange published a Consultation Paper, "Review of Corporate Governance Code and Related Listing Rules", seeking comments on proposals on corporate culture, director independence, diversity, and on ESG disclosures and standards. The consultation period will close on 18 June 2021.

In addition, the Stock Exchange also published the following guidance materials during Q1 2021:

---

**Guidance materials**

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

## Equity and Financial Derivatives Segment

### Analysis of Results

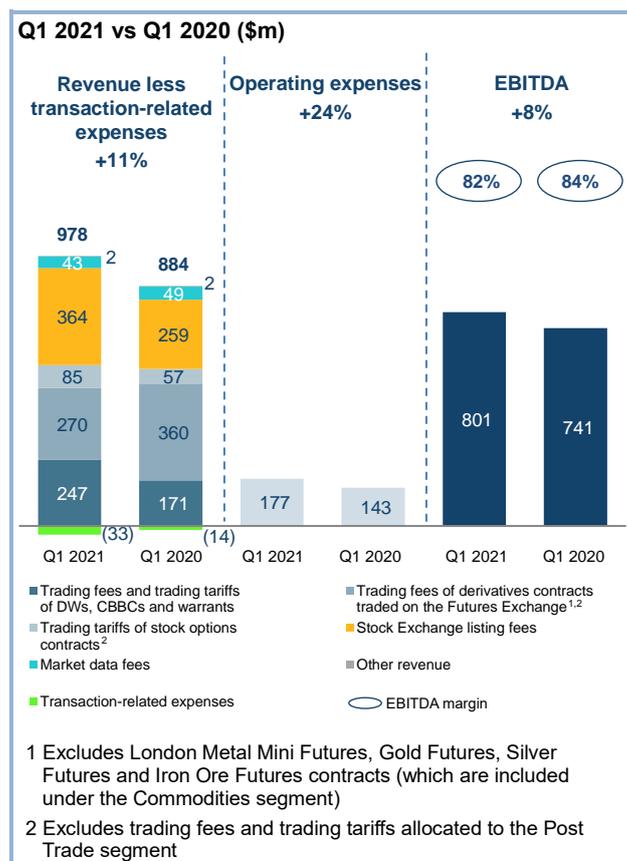
Revenue, less transaction-related expenses, was up 11 per cent and EBITDA was up 8 per cent compared with Q1 2020.

Derivatives trading fees of the Futures Exchange<sup>11</sup> decreased by \$90 million or 25 per cent, reflecting the comparable 2 per cent reduction in trading days, and 23 per cent decrease in number of derivatives contracts traded (Q1 2020 saw record quarterly high trading volume due to increased volatility from the global Covid-19 outbreak).

Trading fees and trading tariffs of DWs, CBBCs and warrants were up 44 per cent compared with Q1 2020, lower than the 51 per cent increase in ADT and the 63 per cent increase in average daily number of trades, primarily due to lower percentage increase in trading fees from new issues of CBBCs.

Stock Exchange listing fees increased by 41 per cent, as the number of newly listed DWs and CBBCs reached record quarterly highs in Q1 2021.

Operating expenses increased by 24 per cent due to higher allocated costs of the Listing Division, reflecting the increase in listing fees from DWs and CBBCs and the decrease in listing fees from equities; and increase in incentives relating to the MSCI index futures contracts.



<sup>11</sup> Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

## Business Update

ADV of derivatives contracts traded was 1,409,763<sup>11</sup> in Q1 2021, 9 per cent higher than Q1 2020, mainly attributable to the 54 per cent increase in stock options. Both HSI Options and Hang Seng China Enterprises Index Options trading volumes reached daily historical highs on 11 January, with 140,628 and 389,483 contracts traded respectively. Stock futures volume also reached record daily high of 36,944 contracts on 9 March.

Since the introduction of Hang Seng TECH Index Futures (HTIF) on 23 November 2020, the contract has become increasingly popular among investors. ADV more than tripled from 1,754 contracts in 2020<sup>12</sup> to 6,529 contracts in Q1 2021, and open interest increased to 14,484 contracts as of 31 March 2021 from 4,721 contracts as of 31 December 2020. On 25 January 2021, the number of contracts traded in the day session surpassed 10,000 contracts, and subsequently reached its record daily high of 19,723 contracts on 25 March 2021.

Following the successful launch of HTIF, HKEX launched the Hang Seng TECH Index Options (HTIO) on 18 January 2021 to meet the growing interests and rising demand for risk management tools on the technology sector. The product has been well received with 27,342 contracts traded since launch.

HKEX continues to strengthen its MSCI derivatives product suite by introducing the MSCI China Free (USD) Index Options and MSCI Taiwan (USD) Index Options on 15 March 2021.

To provide more investment options and risk management tools for investors on newly listed shares, HKEX facilitated the launch of futures and options of Kuaishou Technology, Baidu and Bilibili on their share debut dates. Furthermore, futures and options on WuXi Biologics and JD Health were also launched in Q1 2021, expanding HKEX's suite of single stock derivatives.

HKEX further expanded its fixed income and currency product coverage, with the launch of the Mini USD/CNH Futures contract on 26 April 2021. The cash-settled Mini USD/CNH Futures complement the existing physically-settled USD/CNH Futures, with a smaller contract size of US\$20,000 to cater for market demands. The Mini USD/CNH Futures is expected to further expand the basket of currency risk management tools offered by HKEX, which will help to strengthen Hong Kong's role as the region's premier FX centre and facilitate internationalisation of the RMB.

The structured products saw good growth in Q1 2021. ADT of CBBCs, DWs and warrants was \$26.4 billion, up 51 per cent from both Q1 2020 and Q4 2020, and the number of newly listed structured products reached record quarterly high of 17,631 in Q1 2021.

Key Market Indicators	Q1	
	2021	2020
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	26.4	17.5
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	510 <sup>2</sup>	312
ADV of derivatives contracts traded on the Futures Exchange <sup>1</sup> ('000 contracts)	583	759
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	827 <sup>2</sup>	537
Number of newly listed DWs	4,644 <sup>2</sup>	3,044
Number of newly listed CBBCs	12,932 <sup>2</sup>	10,246
Number of newly listed Inline Warrants	55	253
ADV of contracts traded during After-Hours Trading (AHT) <sup>1</sup> ('000 contracts)	81	142
Number of trading days	61	62
	At	At
	31 Mar 2021	31 Mar 2020
Open interest of futures and options contracts <sup>1</sup> ('000 contracts)	13,045	12,099
<sup>1</sup> Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment) <sup>2</sup> New record quarterly highs in Q1 2021		

<sup>12</sup> During the period from 23 November 2020 (the launch date) to 31 December 2020

Upgrades to functionality in the Derivatives Market, specifically designed to enhance market integrity were introduced on 12 April 2021, namely the VCM and Pre-Market Opening Session (POS). The VCM enhancement allows multiple triggers per trading session, and the POS enhancement involves introducing a random cut-off mechanism to the pre-opening session and the pre-open allocation session. The Exchange conducted briefing sessions and a practice session in Q1 2021 for Exchange Participants (EPs) to ensure smooth implementation.

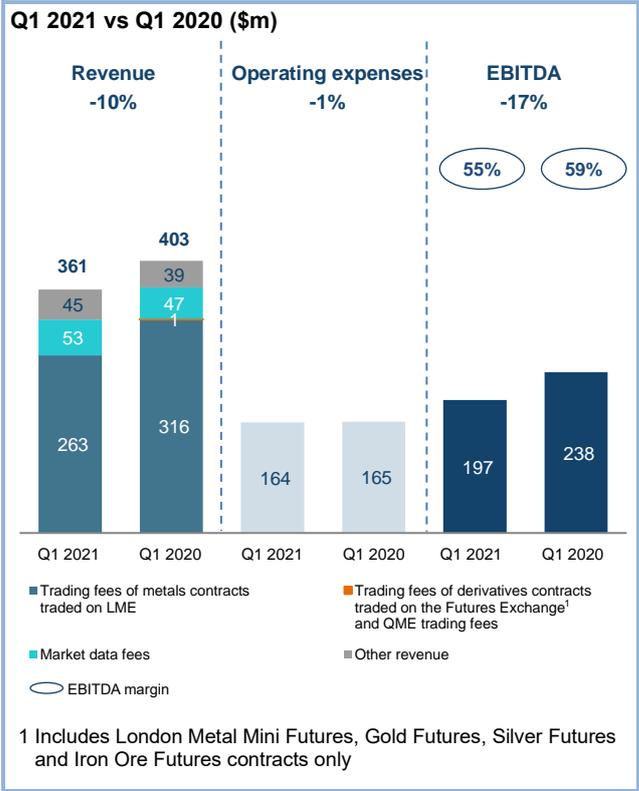
HKEX has continued to prepare for the launch of an A-share index futures contract and engage with the relevant regulators for approval, though a specific launch date has not yet been determined.

**Commodities Segment**

**Analysis of Results**

Revenue was down 10 per cent and EBITDA was down 17 per cent compared with Q1 2020.

LME trading fees dropped by \$53 million (17 per cent) due to the 21 per cent decrease in chargeable ADV of metals contracts traded in Q1 2021, partly offset by a higher average fee per contract.



## Business Update

Reflecting guidance from the UK Government in response to the Covid-19 pandemic, LME Ring trading activity remained suspended during the quarter; and the LME's metals prices continued to be generated on the basis of activity on the LME's electronic trading platform, supported by implied pricing functionality.

On 19 January 2021, the LME published a discussion paper on future market structure which considers proposals to facilitate modernisation of the LME and to create a metals market that is fit for the future, adapting to the needs of its evolving customer base and expectations from wider stakeholders. The proposals aim to achieve increased transparency and a structurally fairer and more efficient marketplace, building on the groundwork of the principles identified in LME's 2017 Strategic Pathway. They also take account the rapidly increasing digitisation across commodity trading and the physical metals industry more broadly. The deadline for feedback of this paper was 19 March 2021 and the LME is currently reviewing responses, with an aim of providing next steps in Q2 2021.

Key Market Indicators	Q1	
	2021	2020
ADV of metals contracts traded on the LME ('000 lots)		
Aluminium	222	276
Copper	127	147
Zinc	79	116
Nickel	66	87
Lead	36	49
Others	6	7
Total chargeable ADV excluding Admin Trades <sup>1</sup>	536	682
Chargeable Admin Trades <sup>1</sup>	26	51
Other non-chargeable trades	2	1
<b>Total ADV</b>	<b>564</b>	<b>734</b>
Number of trading days	63	64
	At	At
	31 Mar 2021	31 Mar 2020
Total futures Market Open Interest ('000 lots)	1,867	2,074
1 Admin Trades are chargeable at a lower fee rate of US\$0.04 per contract.		

The LME has continued to invest in its global physical ecosystem and successfully launched its electronic warranting solution on 1 March 2021, replacing paper warrants. This new model streamlines the lodgement and withdrawal process for warrants, introducing more efficiency and reducing the cost of operations. Market support for this new service has been strong, and no issues have been reported since its launch.

Furthermore, the LME continues to design and will launch an online service called LMEpassport for registering Certificates of Analysis (COAs) and providing a broad range of metal sustainability certifications and disclosures electronically. Moving the physical transfer of these documents to a digital service will provide efficiencies and digitisation to stakeholders throughout the metals trading and warehousing lifecycle. Additionally, providing a platform for certifications and disclosures allows valuable information relating to the ethical and metallurgical provenance and production of metal to be robustly stored and distributed. The platform is expected to be launched in Q3 2021.

In terms of new product development, six new cash settled futures are scheduled for launch later in 2021, subject to regulatory approval. They are LME Steel HRC NW Europe (Argus), LME Steel Scrap CFR Taiwan (Argus), LME Steel Scrap CFR India (Platts), LME Aluminium Duty Paid European (Fastmarkets MB), LME Aluminium UBC Scrap US (Argus) and LME Lithium Hydroxide CIF (Fastmarkets MB).

The LME continued to progress its sustainability roadmap in a number of areas. During Q1, the LME supported its listed brands in working towards compliance with the LME's responsible sourcing requirements, focusing primarily on ensuring human rights standards through ongoing support and guidance. The LME also actively engaged with its stakeholders on the design of LMEpassport to ensure it will fulfil one of its primary goals of providing the metals industry with greater transparency of sustainably produced metal.

Due to the Chinese New Year holidays, spot commodity trading volume on QME's platform was lower during Q1 2021, as industrial clients experienced the seasonal and ad-hoc impact on their trading, compared with Q4 2020. Nevertheless, total trading turnover reached RMB1.8 billion in Q1 2021, more than tripled the trading turnover in Q1 2020. QME's alumina price has gained further recognition from industry players after being included in BAIX in March, an alumina spot index compiled by BAIINFO (a commodity market information supplier in China).

## Post Trade Segment

### Analysis of Results

Revenue and other income less transaction-related expenses was up 28 per cent and EBITDA was up 31 per cent compared with Q1 2020.

Clearing and settlement fees for the Cash Market and for Settlement Instructions (SIs) increased by 64 per cent and 36 per cent respectively. The increases were primarily driven by a higher number of transactions, and record fees from Stock Connect Northbound Trading of \$285 million (Q1 2020: \$166 million).

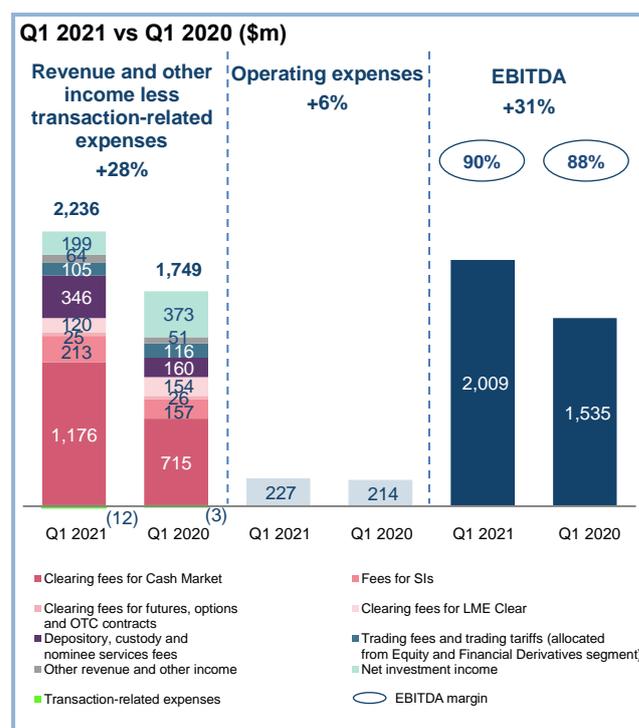
Depository, custody and nominee services fees more than doubled from \$160 million in Q1 2020 to \$346 million in Q1 2021, due to the increase in electronic IPO (e-IPO) service fees, reflecting higher number of e-IPO applications from the buoyant IPO market, and the increase in Stock Connect portfolio fees.

Net investment income dropped by \$174 million, mainly due to lower investment return as a result of the low interest rate environment, partly offset by higher average fund sizes of Clearing House Funds and Margin Funds.

The analysis of net investment income is as follows:

	Q1 2021			Q1 2020		
	Margin Funds \$m	Clearing House Funds \$m	Total \$m	Margin Funds \$m	Clearing House Funds \$m	Total \$m
Net investment income from:						
- Cash and bank deposits	182	5	187	323	33	356
- Debt securities	12	1	13	22	-	22
- Exchange losses	(1)	-	(1)	(5)	-	(5)
<b>Total net investment income</b>	<b>193</b>	<b>6</b>	<b>199</b>	<b>340</b>	<b>33</b>	<b>373</b>
Average fund size (\$bn)	186.2	22.8	209.0	146.8	15.7	162.5
Annualised net investment return	0.41%	0.10%	0.38%	0.93%	0.84%	0.92%

Operating expenses increased by 6 per cent, reflecting increases in staff costs and IT maintenance costs.



## Business Update

Due to strong trading activities in Q1 2021, the average daily number of Stock Exchange trades settled by CCASS increased by 59 per cent in Q1 2021 compared with Q1 2020, and reached a record high of 4.6 million trades on 24 February 2021.

Both Northbound and Southbound Trading grew significantly in Q1 2021, boosting Stock Connect clearing services usage. The average daily value of Northbound SIs increased by 81 per cent in Q1 2021 compared with Q1 2020, and the number of Special Segregated Accounts increased by 6 per cent to 12,409 accounts as at 31 March 2021, compared with 11,659 accounts as at 31 December 2020. In addition, there was an increased number of market participants using the Master Special Segregated Account service in Q1 2021 to enhance their execution and operational efficiency in Northbound Trading.

Following the strong Southbound inflows, the Southbound portfolio value of Stock Connect as at 31 March 2021 increased by 22 per cent to \$2,549 billion, compared with 31 December 2020.

In January 2021, HKEX began phase one of the participants familiarisation programme for HKEX's newly developed risk management platform (Orion Risk Platform), where participants can retrieve their initial margins calculated based on the Value at Risk (VAR) methodology for reference on a daily basis. HKEX is also working on phase two of the familiarisation programme where default fund information will be provided, together with a margin simulator.

OTC Clear's USD/CNH Cross Currency Swaps (CCS) clearing volume continued to strengthen and reached a record quarterly high in Q1 2021, with US\$17.1 billion notional cleared, up 33 per cent from the previous record of US\$12.9 billion in Q1 2020. To prepare for the upgrade of OTC Clearing and Settlement System (OCASS), OTC Clear held market rehearsals in the week of 15 March 2021 and targeted to launch the upgrade in Q2 2021.

Key Market Indicators	Q1	
	2021	2020
ADT traded on the Stock Exchange (\$bn)	224.4 <sup>2</sup>	120.9
Average daily number of Stock Exchange trades ('000)	2,968 <sup>2</sup>	1,865
Average daily value of SIs (\$bn)	480.7	373.2
Average daily number of SIs ('000)	147	113
Chargeable ADV <sup>1</sup> of metals contracts traded on the LME ('000 lots)	536	682

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

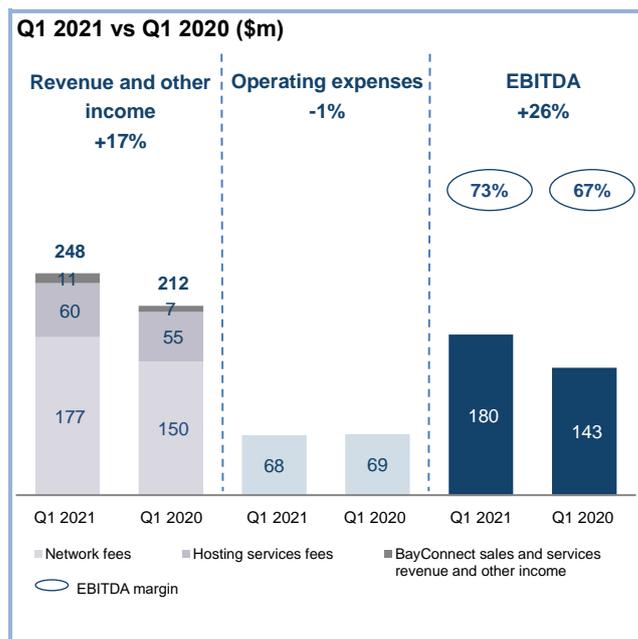
2 New record quarterly highs in Q1 2021

## Technology Segment

### Analysis of Results

Revenue and other income was up 17 per cent and EBITDA was up 26 per cent compared with Q1 2020. During Q1 2021, network fees rose by 18 per cent due to increased usage of the Orion Central Gateway and China Connect Central Gateway by EPs, and higher fees from the sale of new throttles.

Hosting services fees rose by 9 per cent, compared with Q1 2020, due to organic growth from both new customer subscriptions and increased usage by existing customers.



### Business Update

During Q1 2021, despite the market volatility and the challenges posed by Covid-19 on work arrangements, all of HKEX's major trading, clearing, settlement and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform robustly.

The project for hardware obsolescence replacement for various trading and clearing systems, together with the relocation of one of HKEX secondary data centre sites, has been progressing well, with the derivatives trading and clearing infrastructure upgrade and relocation successfully completed, with production commencing on 22 March 2021.

## Corporate Items

"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.

	Q1 2021 \$m	Q1 2020 \$m
Net investment income/(loss)	219	(420)
HKEX Foundation donation income <sup>2</sup>	46	-
Others	3	2
<b>Total revenue and other income</b>	<b>268</b>	<b>(418)</b>
Operating expenses:		
- HKEX Foundation charitable donations <sup>2</sup>	(25)	-
- Others	(294)	(282)
<b>EBITDA</b>	<b>(51)</b>	<b>(700)</b>

## Analysis of Results

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

	Q1 2021 \$m	Q1 2020 \$m
Net investment income/(loss) from:		
- Collective investment schemes	159	(521)
- Cash and bank deposits	48	122
- Exchange gains/(losses)	12	(21)
Total net investment income/(loss)	219	(420)
Average fund size (\$bn)	34.0	29.4
Annualised net investment return	2.59%	(5.71%)

Net investment income of Corporate Funds was \$219 million in Q1 2021, compared with net investment loss of \$420 million in Q1 2020. This was principally driven by the fair value gains on collective investment schemes of \$159 million in Q1 2021, as opposed to the fair value losses of \$521 million in Q1 2020.

At 31 March 2021, the amounts invested in collective investment schemes amounted to \$7.9 billion, an increase of 6 per cent against 31 December 2020, reflecting new subscriptions of \$268 million made during Q1 2021, and fair value gains of \$159 million. Further details of the amounts invested in collective investment schemes are as follows:

Strategy	At 31 Mar 2021 \$m	At 31 Dec 2020 \$m	Change
Public Equities	1,658	1,684	(2%)
Diversifiers <sup>1</sup>	4,312	4,130	4%
Government Bonds and Mortgage-backed Securities	1,950	1,679	16%
Total	7,920	7,493	6%

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

The fair value change on collective investment schemes in Q1 2021 versus Q1 2020 mainly came from funds invested in public equities (Q1 2021: gains of \$98 million, Q1 2020: losses of \$453 million) and diversifiers (Q1 2021: gains of \$105 million, Q1 2020: losses of \$169 million) asset classes. As is always the case, the valuation of the collective investment schemes reflects movements in market prices, fair value gains or losses may fluctuate or reverse until the investments are sold.

Excluding HKEX Foundation charitable donations of \$25 million, operating expenses increased by 4 per cent against Q1 2020 due to increased staff costs.

## Business Update

In Q1 2021, HKEX completed a minority stake investment in the newly-established Guangzhou Futures Exchange (GFE) for a total consideration of RMB210 million, the first-ever equity investment in a domestic futures exchange by a non-Mainland Chinese investor. Anchored in the Guangdong-Hong Kong-Macao Greater Bay Area, GFE was officially launched in April, and it seeks to become an innovative and market-oriented exchange with international influence, focusing on serving the real economy and green development initiatives. This investment supports our China Anchored strategy, providing HKEX with the valuable opportunity to help build and promote the development of China's derivatives market, alongside our Mainland partners.

In Q1 2021, HKEX continued to innovate, playing an active role in shaping the long-term sustainability of global financial markets. Our Corporate Social Responsibility (CSR) focus continued to be on our markets, our people and our operations. HKEX's promotion of good corporate governance and ESG stewardship through ongoing industry knowledge sharing and leadership on best practices, has been a cornerstone of our outreach in the quarter. And, as part of the Group's ongoing efforts to promote diversity, HKEX rolled out a multi-channelled communications campaign to celebrate female leadership and gender equality in support of International Women's Day.

HKEX continued to promote sustainable and green finance through publication of insights and research papers, as well as through STAGE; as well as with active engagement with regulators, industrial practitioners, professional bodies and other stakeholders. Details of the development of STAGE are set out in the Cash Segment.

HKEX Foundation, HKEX's dedicated charitable channel, supported those in need in our communities through partnerships with local charities, and supported projects across the Foundation's four focus areas: financial literacy, diversity and inclusion, poverty relief and environmental sustainability.

## FINANCIAL REVIEW

### Financial Assets and Financial Liabilities of Margin Funds and Clearing House Funds

Margin Fund deposits of \$182.9 billion at 31 March 2021 were \$4.1 billion lower than at 31 December 2020 (\$187.0 billion). This was due to reduced contributions required from LME Clear members and HKCC Clearing Participants (CPs) from reduced open positions, partly offset by higher contributions from SECH CPs, reflecting higher margin requirements and the increase in open positions. Clearing House Fund contributions rose from \$20.4 billion at 31 December 2020 to \$21.6 billion at 31 March 2021 due to higher contributions required from members of LME Clear, in response to changes in risk exposures. Funds received were invested in cash and cash equivalents and financial assets.

### Capital Expenditure and Commitments

During Q1 2021, the Group incurred capital expenditure<sup>13</sup> of \$331 million (Q1 2020: \$216 million) mainly related to the development and upgrade of various trading and clearing systems (notably trading systems for Commodities Market and software for cash clearing systems), and the setup of the new secondary data centre. The Group's capital expenditure commitments at 31 March 2021, including those authorised by the Board but not yet contracted for, amounted to \$704 million (31 December 2020: \$890 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems, and the setup of the new secondary data centre.

### Contingent Liabilities

At 31 March 2021, there were no significant changes in the Group's contingent liabilities compared with 31 December 2020.

---

<sup>13</sup> Capital expenditure excludes right-of-use assets recognised under HKFRS 16: Leases.

## **Pledges of Assets**

Securities, gold bullion and warrants were held by LME Clear as non-cash collateral for margins posted by its members and collateral in respect of its interest in overnight triparty reverse repurchase agreements, which together amounted to \$97,033 million at 31 March 2021 (31 December 2020: \$106,437 million). This non-cash collateral, which was not recorded on the condensed consolidated statement of financial position of the Group, together with certain financial assets amounting to \$4,043 million at 31 March 2021 (31 December 2020: \$3,845 million) have been re-pledged to LME Clear's investment agent and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The first floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

## **Changes since 31 December 2020**

There were no other significant changes in the Group's financial position, or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2020.

It is the Group's practice to declare a dividend only at the half-year and year-end and no dividend will be proposed for Q1 2021 (Q1 2020: \$Nil).

## **Review of Financial Statements**

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for Q1 2021.

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Three months ended 31 Mar 2021 \$m	Three months ended 31 Mar 2020 \$m
Trading fees and trading tariffs		2,389	1,794
Stock Exchange listing fees		591	492
Clearing and settlement fees		1,534	1,052
Depository, custody and nominee services fees		346	160
Market data fees		255	237
Other revenue		375	320
<b>REVENUE</b>		<b>5,490</b>	<b>4,055</b>
Net investment income/(loss)		418	(47)
HKEX Foundation donation income	(a)	46	-
Sundry income		2	1
<b>REVENUE AND OTHER INCOME</b>		<b>5,956</b>	<b>4,009</b>
Less: Transaction-related expenses	(a)	(45)	(17)
<b>REVENUE AND OTHER INCOME LESS TRANSACTION-RELATED EXPENSES</b>		<b>5,911</b>	<b>3,992</b>
<b>OPERATING EXPENSES</b>			
Staff costs and related expenses		(765)	(703)
IT and computer maintenance expenses		(167)	(152)
Premises expenses		(28)	(29)
Product marketing and promotion expenses		(16)	(10)
Professional fees		(20)	(34)
HKEX Foundation charitable donations	(a)	(25)	(1)
Other operating expenses		(81)	(79)
		<b>(1,102)</b>	<b>(1,008)</b>
<b>EBITDA</b>		<b>4,809</b>	<b>2,984</b>
Depreciation and amortisation		(327)	(274)
<b>OPERATING PROFIT</b>		<b>4,482</b>	<b>2,710</b>
Finance costs		(39)	(49)
Share of profits less losses of joint ventures		16	19
<b>PROFIT BEFORE TAXATION</b>		<b>4,459</b>	<b>2,680</b>
<b>TAXATION</b>		<b>(632)</b>	<b>(422)</b>
<b>PROFIT FOR THE PERIOD</b>		<b>3,827</b>	<b>2,258</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO:</b>			
- Shareholders of HKEX		3,840	2,262
- Non-controlling interests		(13)	(4)
<b>PROFIT FOR THE PERIOD</b>		<b>3,827</b>	<b>2,258</b>
<b>Basic earnings per share</b>		<b>\$3.03</b>	<b>\$1.80</b>
<b>Diluted earnings per share</b>		<b>\$3.03</b>	<b>\$1.79</b>

(a) Comparative figures have been restated to conform with the revised presentation.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 31 Mar 2021 \$m	Three months ended 31 Mar 2020 \$m
<b>PROFIT FOR THE PERIOD</b>	<b>3,827</b>	2,258
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Currency translation differences of foreign subsidiaries	37	(92)
Cash flow hedges	-	(7)
Changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	8	(5)
<b>OTHER COMPREHENSIVE INCOME</b>	<b>45</b>	(104)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,872</b>	2,154
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
- Shareholders of HKEX	3,885	2,161
- Non-controlling interests	(13)	(7)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,872</b>	2,154

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	At 31 Mar 2021			At 31 Dec 2020		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
<b>ASSETS</b>						
Cash and cash equivalents	133,000	-	133,000	157,996	-	157,996
Financial assets measured at fair value through profit or loss	114,986	649	115,635	100,081	516	100,597
Financial assets measured at fair value through other comprehensive income	8,867	-	8,867	7,942	-	7,942
Financial assets measured at amortised cost	73,260	286	73,546	62,589	99	62,688
Accounts receivable, prepayments and deposits	41,328	21	41,349	47,059	21	47,080
Tax recoverable	30	-	30	26	-	26
Interests in joint ventures	-	180	180	-	164	164
Goodwill and other intangible assets	-	18,908	18,908	-	18,737	18,737
Fixed assets	-	1,611	1,611	-	1,657	1,657
Right-of-use assets	-	2,113	2,113	-	2,193	2,193
Deferred tax assets	-	26	26	-	26	26
<b>Total assets</b>	<b>371,471</b>	<b>23,794</b>	<b>395,265</b>	<b>375,693</b>	<b>23,413</b>	<b>399,106</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss	107,248	-	107,248	92,884	-	92,884
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	182,926	-	182,926	187,008	-	187,008
Accounts payable, accruals and other liabilities	29,471	-	29,471	42,974	-	42,974
Deferred revenue	914	347	1,261	1,049	371	1,420
Taxation payable	1,254	-	1,254	1,174	-	1,174
Other financial liabilities	95	-	95	48	-	48
CPs' contributions to Clearing House Funds	21,623	-	21,623	20,439	-	20,439
Lease liabilities	300	1,979	2,279	304	2,054	2,358
Borrowings	340	84	424	340	83	423
Provisions	127	97	224	114	98	212
Deferred tax liabilities	-	928	928	-	930	930
<b>Total liabilities</b>	<b>344,298</b>	<b>3,435</b>	<b>347,733</b>	<b>346,334</b>	<b>3,536</b>	<b>349,870</b>
<b>Equity</b>						
Share capital			31,891			31,891
Shares held for Share Award Scheme			(478)			(485)
Employee share-based compensation reserve			295			232
Hedging and revaluation reserves			33			25
Exchange reserve			(181)			(218)
Designated reserves			625			628
Reserve relating to written put options to non-controlling interests			(369)			(369)
Retained earnings			15,411			17,214
<b>Equity attributable to shareholders of HKEX</b>			<b>47,227</b>			<b>48,918</b>
Non-controlling interests			305			318
<b>Total equity</b>			<b>47,532</b>			<b>49,236</b>
<b>Total liabilities and equity</b>			<b>395,265</b>			<b>399,106</b>
<b>Net current assets</b>			<b>27,173</b>			<b>29,359</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 1. Basis of Preparation and Accounting Policies

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 2020.

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

In 2021, the Group has adopted the following amendment to HKFRSs which is pertinent to the Group's operations:

Amendments to HKFRS 16	Leases: COVID-19-Related Rent Concessions <sup>1</sup>
------------------------	--

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

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

The financial information relating to the year ended 31 December 2020 that is included in this Quarterly Results Announcement 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 will deliver the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies in due course 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).

By Order of the Board  
**Hong Kong Exchanges and Clearing Limited**  
**David Fu**  
Group Company Secretary

Hong Kong, 28 April 2021

As at the date of this announcement, HKEX's Board of Directors comprises 12 Independent Non-executive Directors, namely Mrs Laura May-Lung CHA (Chairman), Mr Apurv BAGRI, Mr CHAN Tze Ching, Ignatius, Mr CHEAH Cheng Hye, Mrs CHOW WOO Mo Fong, Susan, Ms FUNG Yuen Mei, Anita, Mr Rafael GIL-TIENDA, Dr HU Zulu, Fred, Mr HUNG Pi Cheng, Benjamin, Mr LEUNG Pak Hon, Hugo, Mr John Mackay McCulloch WILLIAMSON and Mr YIU Kin Wah, Stephen, and one Executive Director, Mr TAI Chi Kin, Calvin, who is also the Interim Chief Executive of HKEX.