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香港交易及結算所有限公司
HONG KONG EXCHANGES AND CLEARING LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 388)

(Financial figures in this announcement are expressed in Hong Kong dollar (HKD) unless otherwise stated)

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

HIGHLIGHTS

Nicolas Aguzin, Chief Executive Officer said:

“HKEX had a strong first nine months of 2021, despite a turbulent macro backdrop. Revenue and profit reached record nine-month highs, driven by record Headline Cash Market ADT, excellent Stock Connect volumes, a good IPO market and a very strong IPO pipeline. Throughout the period, Hong Kong markets remained resilient and robust, and the introduction of a range of new products, including A-share derivatives, and new market microstructure enhancements ensure that HKEX remains very well-placed to continue to play a vital role in global markets, poised and ready to capture future growth opportunities.”

Strategic Highlights

- Headline ADT¹, Stock Connect Northbound and Southbound ADT reached nine-month record highs of \$180.3 billion, RMB123.2 billion and \$46.2 billion respectively
- Bond Connect Northbound ADT reached a record nine-month high of RMB26.2 billion
- Hong Kong’s IPO market raised \$285.9 billion in funding for new issuers, a record nine-month high
- First China A-share derivatives product launched in October, based on the MSCI China A 50 Connect Index, providing international investors with a new and effective regional risk management tool
- Other Q3 product launches included six LME cash settled futures; and two physically settled Futures Options - Hang Seng Index Futures Options and Hang Seng China Enterprises Index Futures Options
- LMEpassport launched, providing a centralised digital register that stores electronic Certificates of Analysis and sustainability credentials for LME-listed metals
- Conclusions on FINI were published, confirming implementation details and timetable for the modernisation and shortening of Hong Kong’s IPO cycle
- Information paper and relevant technical specifications on the Hong Kong investor identification regime were published
- A consultation paper on Special Purpose Acquisition Companies was published in September
- Completion of upgrades to the Orion Central Gateway upgrade for the Securities Market, Hong Kong Futures Automated Trading System and the Central Clearing and Settlement System (CCASS) infrastructure; and completion of the relocation of the secondary data centre
- HKEX Foundation launched its new HKEX Impact Funding Scheme for 2021

Financial Highlights

- YTD Q3 2021 revenue and other income of \$16,218 million was 15 per cent higher than YTD Q3 2020, a nine-month record high
 - Core business revenue² was up 14 per cent against YTD Q3 2020, reflecting higher trading and clearing fees driven by record Headline ADT, partly offset by reduced Margin Fund investment income, reflecting the low interest rate environment
 - Stock Connect revenue and other income reached a record nine-month high of \$2,094 million, up 55 per cent against YTD Q3 2020
 - Net investment income from Corporate Funds was \$96 million higher compared with YTD Q3 2020, due to net fair value gains on collective investment schemes of \$298 million (YTD Q3 2020: \$71 million), reflecting valuations in equity and fixed income markets, but partly offset by reduced interest income
- Operating expenses were 6 per cent higher than YTD Q3 2020. Excluding HKEX Foundation charitable donations³, operating expenses were up 5 per cent against YTD Q3 2020, attributable to higher staff and IT costs
- EBITDA margin⁴ was 79 per cent, 1 per cent higher than YTD Q3 2020
- During the period, there was a one-off deferred tax charge on acquired LME intangible assets of \$160 million arising from the approval of the change in the UK statutory corporate tax rate from 19 per cent to 25 per cent effective April 2023
- Profit attributable to shareholders was at a nine-month record high of \$9,861 million, 15 per cent higher than YTD Q3 2020
- Q3 2021 revenue and other income of \$5,309 million was flat against Q3 2020, as higher trading and clearing fees from higher Headline ADT was offset by the decrease in net investment income, due to net fair value losses of collective investment schemes of \$23 million (Q3 2020: gains of \$209 million) and reduced Margin Funds investment income. Q3 2021 profit attributable to shareholders of \$3,251 million was 3 per cent lower than Q3 2020, due to higher depreciation and amortisation

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

2 In prior periods, core business revenue represented revenue and other income, excluding total net investment income and HKEX Foundation donation income. From Q3 2021 onwards, core business revenue is redefined to include net investment income of Margin Funds and Clearing House Funds, to better reflect the scope of the Group’s core business. As a result, core business revenue now only excludes net investment income of Corporate Funds and HKEX Foundation donation income. Comparative figures have been restated to conform with the revised presentation.

3 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 accrued by HKEX Foundation, and then donations including those made to the Hong Kong Community Chest were payable by HKEX Foundation. As a result, HKEX recorded both donation income of \$113 million (YTD Q3 2020: \$34 million), under revenue and other income; and HKEX Foundation charitable donations of \$89 million (YTD Q3 2020: \$57 million), under operating expenses in YTD Q3 2021.

4 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

	YTD Q3 2021 \$m	YTD Q3 2020 \$m	Change
Revenue and other income			
Core business revenue ²	15,645	13,693	14%
HKEX Foundation donation income ³	113	34	232%
Net investment income of Corporate Funds	460	364	26%
	16,218	14,091	15%
Operating expenses	3,329	3,138	6%
EBITDA	12,771	10,883	17%
Profit attributable to shareholders	9,861	8,580	15%
Capital expenditure	723	845	(14%)
Basic earnings per share	\$7.79	\$6.80	15%

Key Market Statistics

	YTD Q3 2021	YTD Q3 2020	Change
ADT of equity products traded on the Stock Exchange ⁵ (\$bn)	159.6*	106.8	49%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	20.7	18.9	10%
ADT traded on the Stock Exchange (Headline ADT) ^{5,6} (\$bn)	180.3*	125.7	43%
ADT of Northbound Trading of Stock Connect ⁵ (RMBbn)	123.2*	90.0	37%
ADT of Southbound Trading of Stock Connect ⁵ (\$bn)	46.2*	23.2	99%
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	531	644	(18%)
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	681*	523	30%
Chargeable ADV ⁷ of metals contracts traded on the LME ('000 lots)	545	590	(8%)
ADT of Northbound Bond Connect (RMBbn)	26.2*	19.7	33%

* New record high for YTD Q3

5 Includes buy and sell trades under Stock Connect

6 ADT of Southbound Trading is included within Headline ADT.

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

BUSINESS REVIEW

Overview

Quarterly Results, Q1 2020 – Q3 2021

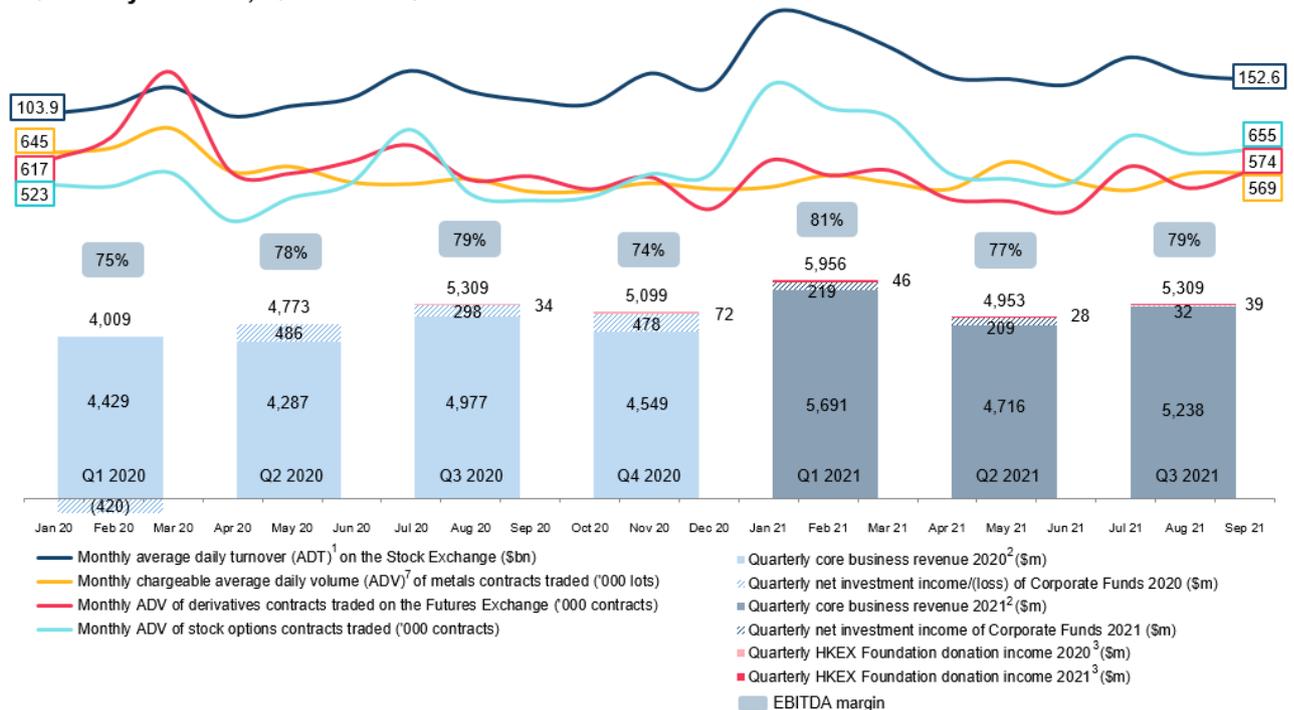


Fig. 1 – Market activity and Group's⁸ revenue and other income/(loss)

Following a strong start to 2021, HKEX continued to perform well in the third quarter of the year, with record revenue and other income and profit, exceeding previous records set for YTD Q3 2020. Driven by an exceptionally buoyant first quarter, Headline ADT rose to a record nine-month high of \$180.3 billion, 43 per cent above YTD Q3 2020. Stock Connect trading volumes also saw nine-month record highs, with Northbound and Southbound ADT being 37 per cent and 99 per cent higher than YTD Q3 2020 respectively. The Hong Kong Initial Public Offering (IPO) market continued to be vibrant, welcoming 73 new company listings, raising \$285.9 billion during the period, a record nine-month high.

Revenue and other income for YTD Q3 2021 rose by 15 per cent against YTD Q3 2020, reaching a record nine-month high of \$16.2 billion, driven by higher trading and clearing fees and higher depository, custody and nominee services fees, but partly offset by lower net investment income reflecting the low interest rate environment. Operating expenses increased by 6 per cent against YTD Q3 2020. Excluding HKEX Foundation charitable donations, operating expenses were up 5 per cent, mainly due to higher staff costs, and higher maintenance expenses for new IT systems and upgraded networks.

For Q3 2021, revenue and other income was \$5.3 billion, 7 per cent higher than Q2 2021. The increase in trading and clearing fees from higher Headline ADT and higher Derivatives ADV was partly offset by the fair value losses from the collective investment schemes of \$23 million (compared with gains of \$162 million in Q2 2021), and the seasonal decrease in depository, custody and nominee services fees.

Throughout the period, the Group maintained its focus on executing and delivering upon its strategy, driving its competitiveness, seeking growth opportunities and ensuring the continued stability and resilience of its markets and the business. At the same time the Group also continued its approach of maintaining good cost discipline and adopting a prudent approach to risk management.

8 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 (SEOH), 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

	YTD Q3 2021				YTD Q3 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	4,815	-	4,815	4,357	3,637	-	3,637	3,201
Equity and Financial								
Derivatives	2,627	(95)	2,532	2,027	2,511	(55)	2,456	2,012
Commodities	1,099	-	1,099	614	1,107	-	1,107	592
Post Trade	6,315	(23)	6,292	5,633	5,771	(15)	5,756	5,114
Technology	781	-	781	553	662	-	662	453
Corporate Items	581	-	581	(413)	403	-	403	(489)
	16,218	(118)	16,100	12,771	14,091	(70)	14,021	10,883

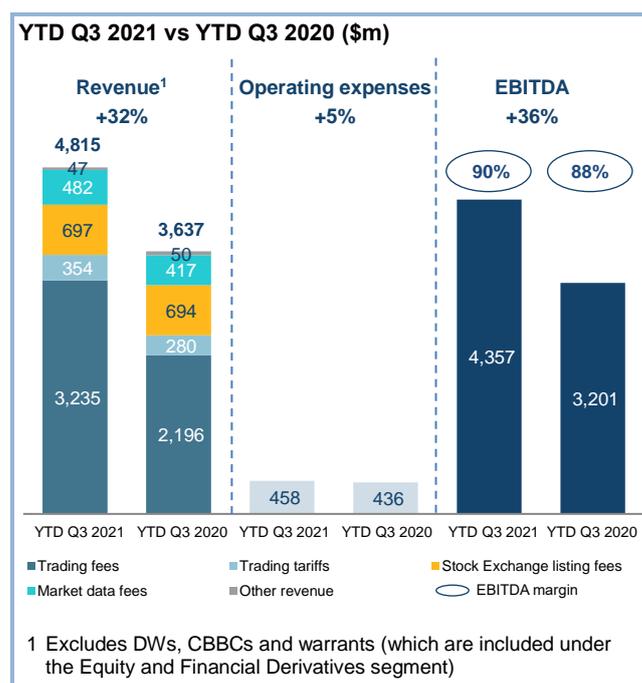
Cash Segment

Analysis of Results

Revenue was up 32 per cent and EBITDA was up 36 per cent compared with YTD Q3 2020.

Trading fees increased by \$1,039 million, or 47 per cent, compared with YTD Q3 2020. This was attributable to the 49 per cent increase in equity products ADT, partly offset by the number of trading days being 1 per cent lower. Trading fees from Northbound Trading and Southbound Trading of Stock Connect both reached record nine-month highs of \$493 million (YTD Q3 2020: \$339 million) and \$182 million (YTD Q3 2020: \$91 million) respectively.

Operating expenses increased by 5 per cent due to higher staff costs for new initiatives, and higher maintenance costs on upgraded systems and networks.



Business Update

The Hong Kong securities market continued to demonstrate its resilience in YTD Q3 2021, with Headline ADT up 43 per cent compared with YTD Q3 2020, reaching a record nine-month high of \$180.3 billion.

Stock Connect experienced strong flows on both Northbound and Southbound Trading, with ADT reaching record nine-month highs in YTD Q3 2021 of RMB123.2 billion and \$46.2 billion respectively. Southbound Trading recorded a record daily high on 27 July 2021 of \$102.2 billion. As a result, Stock Connect generated record nine-month revenue and other income of \$2,094 million (YTD Q3 2020: \$1,354 million), of which \$1,650 million (YTD Q3 2020: \$1,090 million) arose from trading and clearing activities.

Following the SFC's publication of its consultation conclusions for the introduction of the Hong Kong investor identification regime (HKIDR), HKEX published an information paper and relevant technical specifications on HKIDR on 13 August 2021. The HKIDR is expected to be launched in 2H 2022.

Despite a turbulent macro backdrop, the strong momentum in Hong Kong's IPO market continued during YTD Q3 2021, with a number of high profile dual primary and biotech listings. During YTD Q3 2021, HKEX welcomed 73 company listings, raising a record nine-month high of \$285.9 billion. IPO activity in the healthcare sector in particular remained robust, with a total of 23 new listings (including 12 biotech companies through Chapter 18A), raising a total of \$57.9 billion, a 37 per cent increase on YTD Q3 2020. Total IPO funds raised by companies listed under the three new listing chapters⁹ during YTD Q3 2021 was \$180.7 billion, representing a 45 per cent increase from YTD Q3 2020.

In September 2021, HKEX hosted its fourth HKEX Biotech Summit, attracting over 130,000 participants and viewers online across the globe. The Summit brought together scientists, issuers, investors and research analysts to discuss the changing global biotech landscape, opportunities and challenges emerging from the Covid-19 pandemic and HKEX's role as the world's second largest biotech IPO venue.

ADT of Exchange Traded Products¹⁰ (ETPs) grew to \$7.8 billion in YTD Q3 2021 (YTD Q3 2020: \$6.8 billion). During Q3 2021, HKEX's ETP product suite continued to diversify, with five new thematic ETFs listed. As at 30 September 2021, there were a total of 143 ETPs listed, and total market capitalisation reached \$395 billion.

In Q3 2021, Bond Connect's trading activity continued to grow, with a record daily number of tickets traded on 30 July 2021; and the highest monthly average daily number of tickets recorded

Key Market Indicators	YTD Q3	
	2021	2020
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	159.6⁴	106.8
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn)	56.8⁴	38.4
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn)	66.4⁴	51.6
ADT of Southbound Trading – Shanghai-Hong Kong Stock Connect ² (\$bn)	22.2⁴	12.7
ADT of Southbound Trading – Shenzhen-Hong Kong Stock Connect ² (\$bn)	24.0⁴	10.5
ADT of Northbound Bond Connect (RMBbn)	26.2⁴	19.7
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000)	2,051⁴	1,587
Number of newly listed companies on the Main Board ³	72	97
Number of newly listed companies on GEM	1	7
Total equity funds raised		
- IPOs (\$bn)	285.9⁴	215.9
- Post-IPO (\$bn)	318.8	263.3
Number of companies listed on the Main Board at 30 Sept	2,201	2,143
Number of companies listed on GEM at 30 Sept	358	375
Number of trading days	185	187
1 Excludes \$20.7 billion (YTD Q3 2020: \$18.9 billion) of ADT of DWs, CBBs and warrants (which are included under the Equity and Financial Derivatives segment) and includes ADT of Southbound Trading under Stock Connect		
2 Includes buy and sell trades under Stock Connect		
3 Includes 1 transfer from GEM (YTD Q3 2020: 5)		
4 New record high for YTD Q3		

9 In 2018, HKEX launched Chapter 8A, Chapter 18A and Chapter 19C in the Main Board Listing Rules

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

in July 2021. Foreign investors' interest in China's onshore bond market continues to increase, evidenced by the continued increase in onboarding data. As at 30 September 2021, Bond Connect had welcomed 2,879 institutional investors, a 22 per cent increase compared with 31 December 2020. Key developments of Bond Connect in Q3 2021 are highlighted as follows:

- (i) On 13 September, a web-based system, CNYPlus, was launched, providing Bond Connect investors with currency conversion options and facilitating their foreign exchange (FX) risk management needs;
- (ii) On 24 September, Southbound Bond Connect was launched, enabling Mainland institutional investors to invest in the Hong Kong and global bond markets; and
- (iii) On 27 September, MarketAxess became the third trading platform under Northbound Bond Connect, providing international investors an additional gateway to access the China Interbank Bond Market.

HKEX's Sustainable and Green Exchange (STAGE) has continued to gain traction since its launch in December 2020. As at 30 September 2021, there were a total of 78 sustainable-focused products from leading issuers 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 YTD Q3 2021, there were a total of 73 new green/ESG-related bond listings, raising a total of \$192.5 billion (YTD Q3 2020: 15 listings raising \$58.5 billion).

Alongside building and strengthening our traditional business, HKEX is actively exploring new opportunities to create value for our stakeholders with a focus in particular on expanding our reach in the digital space and consolidating our role as an ESG and data hub. Key recent developments in this regard, include:

- (i) Establishing a new emerging business development team, to cross leverage the latest financial technologies and partnerships, to develop successful ecosystems in emerging business areas;
- (ii) HKEX's participation in Project Genesis, a project led by the Bank for International Settlements, Innovation Hub Hong Kong Centre and the Hong Kong Monetary Authority (HKMA), aiming to build a prototype on tokenised green bonds, which would help market participants in achieving their environmental and sustainability goals; and
- (iii) HKEX is participating in the Multiple Central Bank Digital Currency (m-CBDC) Bridge project for cross-border payments jointly run by the HKMA, Bank of Thailand, Central Bank of the United Arab Emirates and the Digital Currency Institute of the People's Bank of China (PBC DCI). HKEX is one of the participating parties which provide business use cases to facilitate the development of proof-of-concept prototype for transactions of multilateral central bank digital currencies.

To support our Exchange Participants (EPs) community, HKEX introduced a new Monthly Fee Discount Programme and a Mainland Market Data Promotional Programme for Stock Exchange EPs. The Monthly Fee Discount Programme halves certain monthly fee items payable by an EP for a period of two years commencing October 2021. The Mainland Market Data Promotional Programme allows each EP to obtain 300 free real-time streaming securities market data units per month on mobile applications for Mainland clients for a period of one year commencing October 2021. HKEX also introduced a new mobile data subscription service effective 1 October 2021, which allows any retail investor to access streaming Level 1 securities market data exclusively from their mobile devices at a new low monthly fee of \$38.

On 17 September 2021, the Stock Exchange published a consultation paper on Special Purpose Acquisition Companies (SPACs) to seek market feedback on proposals to create a listing regime for SPACs in Hong Kong. The consultation period will close on 31 October 2021.

In addition, the Stock Exchange published the following guidance materials during Q3 2021:

Guidance materials

- Semi-annual (i) Listing Division Newsletter and (ii) Enforcement Bulletin
- A new module of e-Learning on continuing obligations of listed issuers as part of the new e-Learning series on the ongoing compliance requirements under the Listing Rules
- Revised Enforcement Policy Statement and Enforcement Sanctions Statement to reflect both recent developments and the Stock Exchange's view of current enforcement priorities
- Two new listing decisions to provide guidance on the application of the reverse takeovers rules

Equity and Financial Derivatives Segment

Analysis of Results

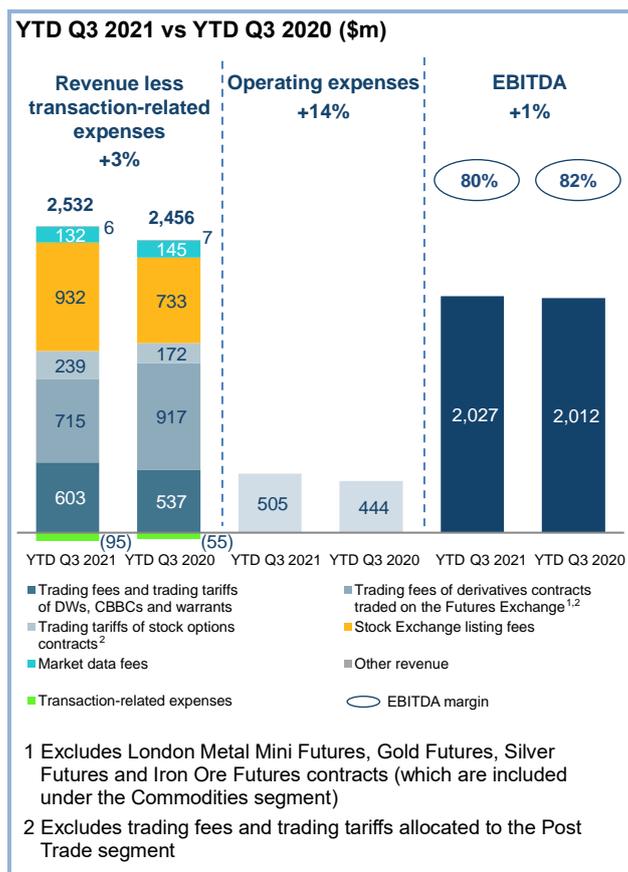
Revenue, less transaction-related expenses, was up 3 per cent and EBITDA was up 1 per cent compared with YTD Q3 2020.

Futures Exchange¹¹ derivatives trading fees decreased by \$202 million or 22 per cent, reflecting the 18 per cent decrease in the number of derivatives contracts traded, and a lower proportion of higher fee contracts (including HSI futures and options) being traded in YTD Q3 2021.

Trading fees and trading tariffs of DWs, CBBCs and warrants were up 12 per cent compared with YTD Q3 2020, attributable to the 10 per cent increase in ADT and the 24 per cent increase in average daily number of trades.

Stock Exchange listing fees increased by 27 per cent, as the number of newly listed DWs and CBBCs both reached record nine-month highs in YTD Q3 2021.

Operating expenses increased by 14 per cent due to higher allocated costs, reflecting the relative higher increase in listing fees from DWs and CBBCs; and increase in incentives relating to the MSCI index futures contracts which commenced in 2H 2020.



¹¹ 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 contracts¹¹ in YTD Q3 2021 was 4 per cent higher than YTD Q3 2020, attributable to the record nine-month ADV of stock options in YTD Q3 2021, a 30 per cent increase compared with YTD Q3 2020; but was partly offset by an 18 per cent drop in derivatives contracts traded on the Futures Exchange from reduced volatility.

In addition, the following record single-day volumes and open interest were achieved during Q3 2021:

	Single-day Trading Volume	
	Date (2021)	Number of contracts
Hang Seng China Enterprises Index Futures	27 Jul	545,816
Weekly Hang Seng Index Options	8 Jul	20,628
Hang Seng TECH Index Futures	27 Jul	77,480
Hang Seng TECH Index Options	19 Aug	3,329
MSCI China Free Net Total Return (USD) Index Futures	13 Sept	13,653
MSCI Japan Net Total Return (USD) Index Futures	15 Sept	30,260
	Open interest	
	Date (2021)	Number of contracts
Weekly Hang Seng Index Options	2 Jul	14,887
Hang Seng TECH Index Futures	27 Sept	43,373
Hang Seng TECH Index Options	28 Sept	22,152
MSCI China Free Net Total Return (USD) Index Futures	17 Sept	17,249
MSCI Japan Net Total Return (USD) Index Futures	17 Sept	17,793

Key Market Indicators	YTD Q3	
	2021	2020
ADV of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	20.7	18.9
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	431²	348
ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts)	530	643
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	681²	523
Number of newly listed DWs	12,644²	8,903
Number of newly listed CBBCs	32,733²	29,377
Number of newly listed Inline Warrants	83	676
ADV of contracts traded during After-Hours Trading (AHT) ¹ ('000 contracts)	66	103
Number of trading days	185	187
	At 30 Sept 2021	At 30 Sept 2020
Open interest of futures and options contracts ¹ ('000 contracts)	12,317	12,026
¹ Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment) ² New record high for YTD Q3		

To broaden the derivatives product offering and complement the existing Hang Seng product suite, HKEX successfully launched two physically settled Options on Futures Contracts (OOF), namely the Hang Seng Index Futures Options and Hang Seng China Enterprises Index Futures Options on 23 August 2021. The introduction of OOF introduces additional new trading and risk management tools for investors to complement our existing suite of products.

As part of HKEX's commitment to expanding and diversifying its product suite, HKEX was pleased to announce the launch of its first A-share derivatives product on 18 October 2021. This new contract is the first in Hong Kong and is based on the MSCI China A 50 Connect Index and tracks the performance of 50 of the largest Shanghai and Shenzhen stocks available via Stock Connect. The contract deepens HKEX's long standing relationship with MSCI Inc. and provides international investors with a new and effective risk management tool for their portfolio of Stock Connect eligible A-shares, and reflects the increasing global reliance on Stock Connect as a means of accessing Mainland China's equity markets.

The structured products market remained robust and resilient in YTD Q3 2021, with both listing and trading activities experiencing strong growth. The number of newly listed structured products and ADT of CBBCs, DWs and warrants increased by 17 per cent and 10 per cent respectively against YTD Q3 2020. In August 2021, we welcomed our 16th issuer to our vibrant market place, bringing in new products and improving market liquidity for the investing public.

Effective 4 October 2021, HKEX revised the T Session closing time to 13:45, and T+1 opening time to 14:30, for three MSCI Taiwan Index Futures and Options contracts. The revised time aligns trading hours with the underlying cash market, allowing investors to capture changes in the underlying market movements in the same trading session, facilitating better risk management, and minimising potential mark-to-market discrepancies between the futures and underlying index.

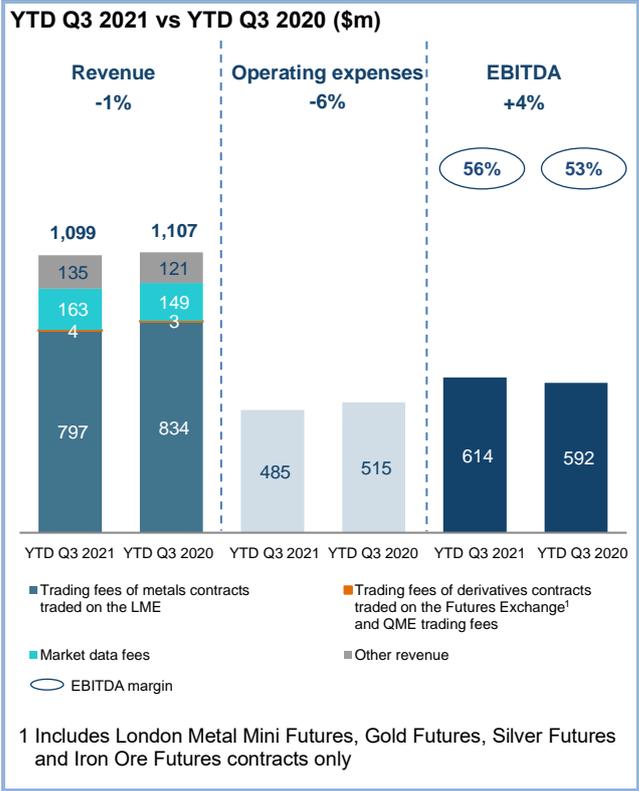
Commodities Segment

Analysis of Results

Revenue was down 1 per cent compared with YTD Q3 2020, impacted by the challenges faced by the global economy in a Covid-19 environment. However, EBITDA was up 4 per cent compared with YTD Q3 2020, reflecting strong management of the business and targeted cost controls.

LME trading fees dropped by \$37 million (4 per cent) due to the 8 per cent decrease in chargeable ADV of metals contracts traded in YTD Q3 2021, partly offset by a higher average fee per contract.

Operating expenses decreased by 6 per cent due to lower staff costs and lower professional fees.



Business Update

LME Ring trading, which had been suspended since March 2020, reopened on 6 September 2021, and determination of the LME's Official Prices on the basis of Ring activity has recommenced. The LME's Closing Prices continue to be generated on the basis of activity on the LME's electronic trading platform, supported by implied pricing functionality.

On 31 August 2021, the LME launched LMEpassport, a centralised digital register that stores electronic Certificates of Analysis (COAs) and sustainability credentials for LME-listed metals. LMEpassport has seen strong uptake from the market, with more than 80 active users from 21 different organisations registering for the application in the first two weeks. Nearly 30,000 records have been created in the system from hundreds of COAs within three weeks of launch. In addition, the LME has developed a sustainability taxonomy, which provides LMEpassport users with a straightforward categorisation framework to navigate the wide range of sustainability-related focus areas in the industry. A number of certifications and disclosures have already been integrated into the framework to allow users to report using the LMEpassport interface.

The LME launched six new cash settled futures in July 2021, and three of the contracts in particular (LME Aluminium Premium Duty Paid European (Fastmarkets MB), LME Steel Scrap CFR Taiwan (Argus) and LME Steel Scrap CFR India (Platts)) have seen encouraging trading.

In Hong Kong, the USD London Metal Mini Futures saw strong performance in Q3 2021, especially in September 2021 when ADV reached a monthly record high of 3,075 contracts.

We were pleased to host the annual LME Week in October 2021 as a hybrid event this year, seeing a return to in-person events for the first time since 2019.

Total trading turnover on QME in Q3 2021 reached a quarterly record high of RMB12 billion, more than double the turnover in Q2 2021. QME's alumina benchmark price gained further recognition, after being included in Aldex, an index published by Chinese aluminium consultancy Aladdiny. In August 2021, under the license of Shenzhen Natural Gas Exchange, QME organised the first special trading session for natural gas products, which attracted wide attention from the industry.

Key Market Indicators	YTD Q3	
	2021	2020
ADV of metals contracts traded on the LME ('000 lots)		
Aluminium	228	246
Copper	123	132
Zinc	84	94
Nickel	64	68
Lead	41	43
Others	5	7
Total chargeable ADV excluding Admin Trades ¹	545	590
Chargeable Admin Trades ¹	25	42
Other non-chargeable trades	1	2
Total ADV	571	634
Number of trading days	189	190
	At	At
	30 Sept 2021	30 Sept 2020
Total futures Market Open Interest ('000 lots)	1,789	2,001
1 Admin Trades are chargeable at a lower fee rate of US\$0.04 per contract.		

Post Trade Segment

Analysis of Results

Revenue and other income, less transaction-related expenses, was up 9 per cent and EBITDA was up 10 per cent compared with YTD Q3 2020.

Clearing and settlement fees for the Cash Market and for Settlement Instructions (SIs) increased by 33 per cent and 24 per cent respectively. The increases were primarily driven by a higher number of transactions, and record clearing fees from Stock Connect Northbound Trading of \$827 million (YTD Q3 2020: \$572 million).

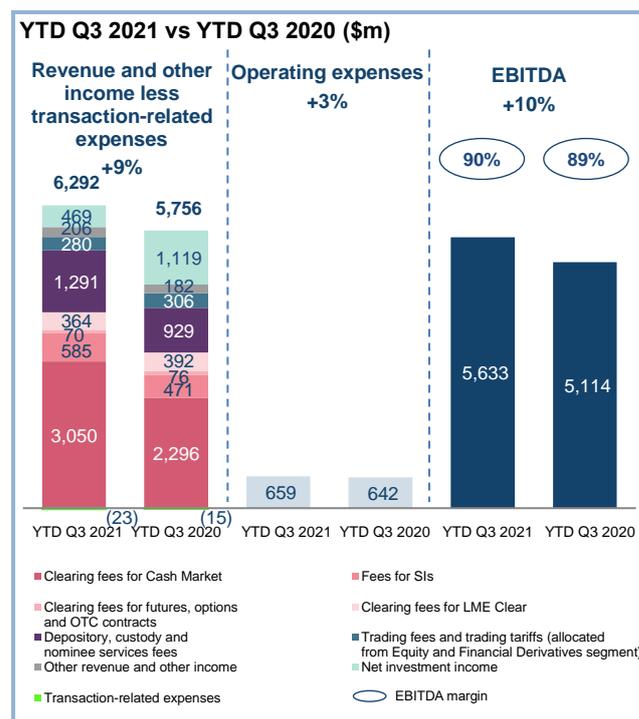
Depository, custody and nominee services fees increased from \$929 million in YTD Q3 2020 to \$1,291 million in YTD Q3 2021. This was mainly due to an increase in e-IPO service fees reflecting a higher number of e-IPO applications from the buoyant IPO market, higher scrip fees from more companies having their book close in YTD Q3 2021, and higher Stock Connect portfolio fees from increase in portfolio values.

Net investment income dropped by \$650 million, mainly due to lower investment returns as a result of the low interest rate environment, partly offset by the higher average fund sizes of Clearing House Funds and Margin Funds.

The analysis of net investment income is as follows:

	YTD Q3 2021			YTD Q3 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	424	13	437	1,007	70	1,077
- Debt securities	31	1	32	47	-	47
- Exchange losses	-	-	-	(5)	-	(5)
Total net investment income	455	14	469	1,049	70	1,119
Average fund size (\$bn)	189.8	22.6	212.4	155.3	16.3	171.6
Annualised net investment return	0.32%	0.08%	0.29%	0.90%	0.57%	0.87%

Operating expenses increased by 3 per cent, reflecting increases in staff costs for new initiatives.



Business Update

With the significant momentum in Stock Connect, the average daily value of Northbound SIs increased by 67 per cent in YTD Q3 2021 against YTD Q3 2020. In addition, both Northbound and Southbound portfolio values of Stock Connect shares, as at 30 September 2021, increased by 9 per cent and 10 per cent to RMB2,542 billion and \$2,297 billion respectively, compared with 31 December 2020.

On 27 September 2021, HKEX introduced its new Corporate Action Message Standardisation (CAMS) solution to provide real time and structured corporate action information directly from issuers to Clearing Participants (CPs) via SWIFT network. This solution facilitates CPs in achieving Straight-Through-Processing when handling corporate action event information in the Cash Market, and also standardises and streamlines existing processes, maximising efficiencies for market participants.

Enhancements on CCASS were rolled out on 11 October 2021 to remove the current restriction in Stock Segregated Account Transfer Instruction (STI) Transfer in Stock Connect. This allows STI Transfer from a non-SPSA to a SPSA, before the completion of settlement, on a trading day provided that the CPs have no outstanding continuous net settlement (CNS) short obligation in the same stock.

In July 2021, HKEX published the conclusions to its 2020 Concept Paper on Fast Interface for New Issuance (FINI): a comprehensive solution for modernisation and shortening of Hong Kong's IPO settlement cycle. The proposals received 90 per cent support from stakeholders who responded to the Concept Paper, and HKEX will proceed with the implementation.

OTC Clear's USD/CNH Cross Currency Swaps (CCS) clearing volume during YTD Q3 2021 remained strong, with clearing volume of US\$39.8 billion, an increase of 12 per cent compared with YTD Q3 2020. With an increasing number of clearing members supporting Deliverable FX (DFX) clearing, DFX clearing volume grew significantly and reached US\$2,690 million in YTD Q3 2021, compared with US\$620 million cleared in YTD Q3 2020.

Key Market Indicators	YTD Q3	
	2021	2020
ADT traded on the Stock Exchange (\$bn)	180.3²	125.7
Average daily number of Stock Exchange trades ('000)	2,482²	1,935
Average daily value of SIs (\$bn)	427.0	336.6
Average daily number of SIs ('000)	131	112
Chargeable ADV ¹ of metals contracts traded on the LME ('000 lots)	545	590
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 high for YTD Q3		

Technology Segment

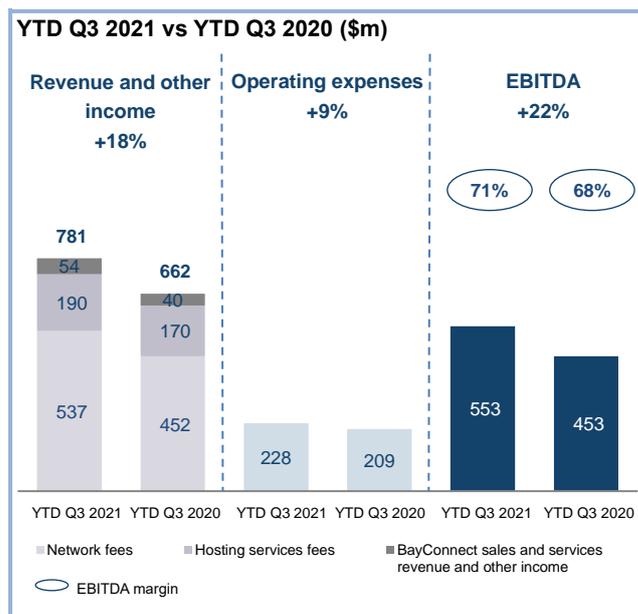
Analysis of Results

Revenue and other income was up 18 per cent and EBITDA was up 22 per cent compared with YTD Q3 2020.

During YTD Q3 2021, network fees rose by 19 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 12 per cent due to growth in both new customer subscriptions and increased usage by existing customers.

Operating expenses increased by 9 per cent due to higher IT expenses for new systems and upgraded networks.



Business Update

During YTD Q3 2021, despite market volatility and 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.

To refresh the technology of the securities market access platform, both software and hardware of Orion Central Gateway – Securities Market (OCG-C) were upgraded in Q3 2021. The new OCG-C adopted the same technology stack and fully integrated with Orion Trading Platform – Securities Market (OTP-C), providing greater flexibility, with excellent stability, to implement new functionalities in the future.

HKEX further improved the system infrastructure resilience of the Hong Kong Futures Automated Trading System (HKATS), by adding two new Matching Engines in Q3 2021, and by reallocating products of a similar nature into the new Matching Engines to facilitate the introduction of new product initiatives.

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 according to schedule. Following the successful upgrade and relocation of the derivatives trading and clearing systems infrastructure in 1H 2021, the upgrade and relocation of the CCASS infrastructure was successfully completed in Q3 2021.

Hosting Services commitment to expanding our hosting product portfolio for meeting customer high power density demands, will see new additional high power density racks introduced, expected to be ready for service in Q2 2022.

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.

Analysis of Results

	YTD Q3 2021 \$m	YTD Q3 2020 \$m
Net investment income	460	364
HKEX Foundation donation income ³	113	34
Others	8	5
Total revenue and other income	581	403
Operating expenses:		
- HKEX Foundation charitable donations ³	(89)	(57)
- Others	(905)	(835)
EBITDA	(413)	(489)

The analysis of net investment income of Corporate Funds is as follows:

	YTD Q3 2021 \$m	YTD Q3 2020 \$m
Net investment income from:		
- Collective investment schemes	298	71
- Cash and bank deposits	129	325
- Exchange gains/(losses)	33	(32)
Total net investment income	460	364
Average fund size (\$bn)	34.2	30.2
Annualised net investment return	1.79%	1.60%

Net investment income of Corporate Funds in YTD Q3 2021 increased by \$96 million compared with YTD Q3 2020. This was principally due to higher fair value gains on collective investment schemes, but partly offset by the decrease in interest income reflecting the low interest rate environment.

As at 30 September 2021, the amounts invested in collective investment schemes amounted to \$8.8 billion, an increase of 17 per cent against 31 December 2020, reflecting net additions of \$1.0 billion during YTD Q3 2021, and fair value gains of \$298 million. Further details of the amounts invested in collective investment schemes are as follows:

Strategy	At 30 Sept 2021 \$m	At 31 Dec 2020 \$m	Change
Public Equities	1,932	1,684	15%
Diversifiers ¹	4,845	4,130	17%
Government Bonds and Mortgage-backed Securities	2,000	1,679	19%
Total	8,777	7,493	17%

¹ Diversifiers comprise Absolute Return and Multi-Sector Fixed Income asset classes.

The fair value gains on collective investment schemes mainly came from funds invested in public equities (YTD Q3 2021: gains of \$144 million, YTD Q3 2020: losses of \$145 million) and diversifiers (YTD Q3 2021: gains of \$145 million, YTD Q3 2020: gains of \$85 million). As the valuation of the collective investment schemes reflects mark-to-market movements in prices, fair value gains or losses will fluctuate or reverse until the investments are sold.

Excluding HKEX Foundation charitable donations, operating expenses increased by 8 per cent against YTD Q3 2020 due to increased staff costs and higher IT maintenance costs on upgraded systems.

Business Update

In Q3 2021, HKEX continued to play an active role in shaping the long-term sustainability of global financial markets. 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.

HKEX remained an active advocate and proponent of the adoption of sustainable and green finance, through publication of various insights and through STAGE. We also continued our active engagement with regulators, industry practitioners, professional bodies and other stakeholders. As part of the Group's ongoing efforts to promote biotech and innovation, HKEX signed a Memorandum of Understanding with Hong Kong Science and Technology Parks Corporation (HKSTP), which allows us to gain access to HKSTP's deep pool of biotech industry experts to assist in our review of biotech listing applications.

HKEX Foundation, HKEX's dedicated charitable body, has strengthened its charity partnerships with the launch of the HKEX Impact Funding Scheme which supports short-to-medium term local community projects run by local Non-Government Organisations, with a focus on four themes: Financial Literacy, Diversity and Inclusion, Poverty Relief and Environmental Sustainability. The \$10 million Funding Scheme will target some of the most vulnerable in our community, and also specifically seek to support innovation in services and solutions for key social and environmental challenges. For YTD Q3 2021, HKEX Foundation made total charitable contributions of \$89 million.

FINANCIAL REVIEW

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

Margin Fund deposits of \$221.3 billion at 30 September 2021 were \$34.3 billion higher than at 31 December 2020 (\$187.0 billion). This was due to increased contributions required from LME Clear members reflecting higher metal contract prices, and higher contributions from SEOCH Clearing Participants (CPs) from the increase in open positions. Clearing House Fund contributions rose from \$20.4 billion at 31 December 2020, to \$21.4 billion at 30 September 2021, mainly due to higher contributions required from SEOCH CPs in response to changes in risk exposures. Funds received were invested in cash and cash equivalents and financial assets.

Capital Expenditure and Commitments

During YTD Q3 2021, the Group incurred capital expenditure¹² of \$723 million (YTD Q3 2020: \$845 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 a new secondary data centre. The Group's capital expenditure commitments at 30 September 2021, including those authorised by the Board but not yet contracted for, amounted to \$699 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.

Contingent Liabilities

At 30 September 2021, there were no significant changes in the Group's contingent liabilities compared with 31 December 2020.

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

¹² Capital expenditure excludes right-of-use assets recognised under HKFRS 16: Leases.

repurchase agreements, which together amounted to US\$13,676 million (approximately HK\$106,463 million) at 30 September 2021 (31 December 2020: US\$13,727 million (approximately HK\$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 US\$455 million (approximately HK\$3,539 million) at 30 September 2021 (31 December 2020: US\$496 million (approximately HK\$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 Q3 2021 (Q3 2020: \$Nil).

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for the nine months ended 30 September 2021.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Nine months ended 30 Sept 2021 \$m	Nine months ended 30 Sept 2020 \$m	Three months ended 30 Sept 2021 \$m	Three months ended 30 Sept 2020 \$m
Trading fees and trading tariffs		6,227	5,245	2,103	1,915
Stock Exchange listing fees		1,629	1,427	562	499
Clearing and settlement fees		4,069	3,235	1,397	1,245
Depository, custody and nominee services fees		1,291	929	402	378
Market data fees		777	711	265	239
Other revenue		1,167	1,018	381	350
REVENUE		15,160	12,565	5,110	4,626
Net investment income		929	1,483	155	645
HKEX Foundation donation income	(a)	113	34	39	34
Sundry income		16	9	5	4
REVENUE AND OTHER INCOME		16,218	14,091	5,309	5,309
Less: Transaction-related expenses	(a)	(118)	(70)	(37)	(39)
REVENUE AND OTHER INCOME LESS TRANSACTION-RELATED EXPENSES		16,100	14,021	5,272	5,270
OPERATING EXPENSES					
Staff costs and related expenses		(2,252)	(2,150)	(757)	(752)
IT and computer maintenance expenses		(504)	(465)	(166)	(150)
Premises expenses		(87)	(91)	(30)	(32)
Product marketing and promotion expenses		(64)	(34)	(28)	(17)
Professional fees		(71)	(95)	(23)	(29)
HKEX Foundation charitable donations	(a)	(89)	(57)	(20)	(29)
Other operating expenses		(262)	(246)	(84)	(84)
		(3,329)	(3,138)	(1,108)	(1,093)
EBITDA		12,771	10,883	4,164	4,177
Depreciation and amortisation		(1,006)	(827)	(344)	(282)
OPERATING PROFIT		11,765	10,056	3,820	3,895
Finance costs		(116)	(139)	(39)	(43)
Share of profits less losses of joint ventures		58	54	20	15
PROFIT BEFORE TAXATION		11,707	9,971	3,801	3,867
TAXATION		(1,880)	(1,398)	(563)	(528)
PROFIT FOR THE PERIOD		9,827	8,573	3,238	3,339
PROFIT/(LOSS) ATTRIBUTABLE TO:					
- Shareholders of HKEX		9,861	8,580	3,251	3,347
- Non-controlling interests		(34)	(7)	(13)	(8)
PROFIT FOR THE PERIOD		9,827	8,573	3,238	3,339
Basic earnings per share		\$7.79	\$6.80	\$2.57	\$2.65
Diluted earnings per share		\$7.78	\$6.78	\$2.56	\$2.64

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Nine months ended 30 Sept 2021 \$m	Nine months ended 30 Sept 2020 \$m	Three months ended 30 Sept 2021 \$m	Three months ended 30 Sept 2020 \$m
PROFIT FOR THE PERIOD	9,827	8,573	3,238	3,339
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences of foreign subsidiaries	68	(65)	39	27
Cash flow hedges	(6)	(4)	(4)	3
Changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	13	13	3	6
OTHER COMPREHENSIVE INCOME	75	(56)	38	36
TOTAL COMPREHENSIVE INCOME	9,902	8,517	3,276	3,375
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Shareholders of HKEX	9,935	8,521	3,289	3,377
- Non-controlling interests	(33)	(4)	(13)	(2)
TOTAL COMPREHENSIVE INCOME	9,902	8,517	3,276	3,375

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	At 30 Sept 2021			At 31 Dec 2020		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS						
Cash and cash equivalents	176,463	-	176,463	157,996	-	157,996
Financial assets measured at fair value through profit or loss	124,617	843	125,460	100,081	516	100,597
Financial assets measured at fair value through other comprehensive income	5,567	-	5,567	7,942	-	7,942
Financial assets measured at amortised cost	73,632	403	74,035	62,589	99	62,688
Accounts receivable, prepayments and deposits	34,892	21	34,913	47,059	21	47,080
Tax recoverable	-	-	-	26	-	26
Interests in joint ventures	-	222	222	-	164	164
Goodwill and other intangible assets	-	18,916	18,916	-	18,737	18,737
Fixed assets	-	1,497	1,497	-	1,657	1,657
Right-of-use assets	-	1,962	1,962	-	2,193	2,193
Deferred tax assets	-	36	36	-	26	26
Total assets	415,171	23,900	439,071	375,693	23,413	399,106
LIABILITIES AND EQUITY						
Liabilities						
Financial liabilities at fair value through profit or loss	116,209	-	116,209	92,884	-	92,884
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	221,347	-	221,347	187,008	-	187,008
Accounts payable, accruals and other liabilities	25,588	-	25,588	42,974	-	42,974
Deferred revenue	518	363	881	1,049	371	1,420
Taxation payable	2,267	-	2,267	1,174	-	1,174
Other financial liabilities	40	-	40	48	-	48
CPs' contributions to Clearing House Funds	21,435	-	21,435	20,439	-	20,439
Lease liabilities	295	1,826	2,121	304	2,054	2,358
Borrowings	340	86	426	340	83	423
Provisions	115	98	213	114	98	212
Deferred tax liabilities	-	1,073	1,073	-	930	930
Total liabilities	388,154	3,446	391,600	346,334	3,536	349,870
Equity						
Share capital			31,891			31,891
Shares held for Share Award Scheme			(820)			(485)
Employee share-based compensation reserve			446			232
Hedging and revaluation reserves			32			25
Exchange reserve			(151)			(218)
Designated reserves			617			628
Reserve relating to written put options to non-controlling interests			(369)			(369)
Retained earnings			15,540			17,214
Equity attributable to shareholders of HKEX			47,186			48,918
Non-controlling interests			285			318
Total equity			47,471			49,236
Total liabilities and equity			439,071			399,106
Net current assets			27,017			29,359

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 ¹
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¹ 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 has delivered the consolidated financial statements for the year ended 31 December 2020 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).

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

Hong Kong, 27 October 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 Nicholas Charles ALLEN, Mr Apurv BAGRI, Mr CHEAH Cheng Hye, Ms CHEUNG Ming Ming, Anna, Mrs CHOW WOO Mo Fong, Susan, Mr Rafael GIL-TIENDA, Mr HUNG Pi Cheng, Benjamin, Ms LEUNG Nisa Bernice Wing-Yu, Mr LEUNG Pak Hon, Hugo, Mr YIU Kin Wah, Stephen and Mr ZHANG Yichen, and one Executive Director, Mr Alejandro Nicolas AGUZIN, who is also the Chief Executive of HKEX.