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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 THREE MONTHS ENDED 31 MARCH 2022

HIGHLIGHTS

Nicolas Aguzin, Chief Executive Officer said:

“Throughout Q1 2022, HKEX demonstrated its robustness and resiliency despite ongoing market volatility and geopolitical fragility. Cash Market trading volumes remained at long-term normalised levels, our IPO pipeline was incredibly strong, we welcomed a range of new products such as our first SPAC listing and a number of new thematic ETFs, and we announced some important market-enhancing initiatives such as Derivatives Holiday Trading and IR Connect. However, we were not immune to global market sentiment which resulted in some softness in the IPO market, reduced valuations in our investment portfolio and pricing volatility in our commodities market. Looking forward, I am confident that we remain extremely well-placed, with a range of significant opportunities ahead. We have a strong team, a clear strategy and we are fully focused on delivering our vision to build the Marketplace of the Future.”

Strategic Highlights

- HKEX Corporate Day on 29 March outlined HKEX’s vision and strategy, setting out a roadmap to build the Marketplace of the Future
- Bond Connect Northbound ADT reached a record quarterly high of RMB33.9 billion
- Special Purpose Acquisition Company (SPAC) listing route went live, and the first SPAC listed on 18 March 2022
- IPO pipeline remains strong with over 150 active applications, including 10 SPAC applications, as at 31 March 2022
- Derivatives Holiday Trading was announced in January and will commence on 9 May 2022
- Q1 product launches included the first metaverse-themed ETF, first carbon futures ETF, and first Hong Kong equity ESG ETF
- HKEX Foundation committed a further \$10 million donation in support of Hong Kong Covid-19 pandemic relief programmes, and invited applications for its 2022 Impact Funding Scheme

Financial Highlights

- Q1 2022 revenue and other income of \$4,690 million was 21 per cent lower than record Q1 2021 (1 per cent lower than Q4 2021)
 - Core business revenue was down 16 per cent against Q1 2021, reflecting lower trading and clearing fees driven by lower Headline ADT, and lower depository fees due to lower e-IPO service fees
 - Net investment loss of Corporate Funds was \$104 million (Q1 2021: income of \$219 million), due to net fair value losses on collective investment schemes of \$189 million (Q1 2021: gains of \$159 million), reflecting lower global valuations in equity and fixed income markets
- Operating expenses were 7 per cent higher than Q1 2021 (2 per cent lower than Q4 2021), attributable to higher staff costs and marketing expenses
- EBITDA margin¹ was 75 per cent, 6 per cent lower than record Q1 2021 (1 per cent higher than Q4 2021)
- Profit attributable to shareholders was \$2,668 million, 31 per cent lower than Q1 2021 (broadly flat against Q4 2021)

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

Key Financials

	Q1 2022 \$m	Q1 2021 \$m	Change
Revenue and other income			
Core business revenue	4,764	5,691	(16%)
HKEX Foundation donation income	30	46	(35%)
Net investment (loss)/income of Corporate Funds	(104)	219	N/A
	4,690	5,956	(21%)
Operating expenses	1,178	1,102	7%
EBITDA	3,473	4,809	(28%)
Profit attributable to shareholders	2,668	3,840	(31%)
Capital expenditure	190	331	(43%)
Basic earnings per share	\$2.11	\$3.03	(30%)

Key Market Statistics

	Q1 2022	Q1 2021	Change
ADT of equity products traded on the Stock Exchange ² (\$bn)	126.0	198.0	(36%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	20.5	26.4	(22%)
ADT traded on the Stock Exchange ^{2,3} (Headline ADT) (\$bn)	146.5	224.4	(35%)
ADT of Northbound Trading of Stock Connect ² (RMBbn)	105.9	126.8	(16%)
ADT of Southbound Trading of Stock Connect ² (\$bn)	35.5	60.8	(42%)
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	705	584	21%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	637	827	(23%)
Chargeable ADV of metals contracts traded on the LME ⁴ ('000 lots)	588	536	10%
ADT of Northbound Bond Connect (RMBbn)	33.9*	25.3	34%

* New record quarterly high in Q1 2022

² Includes buy and sell trades under Stock Connect

³ ADT of Southbound Trading is included within Headline ADT.

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

BUSINESS REVIEW

Overview

Quarterly Results, Q1 2021 – Q1 2022

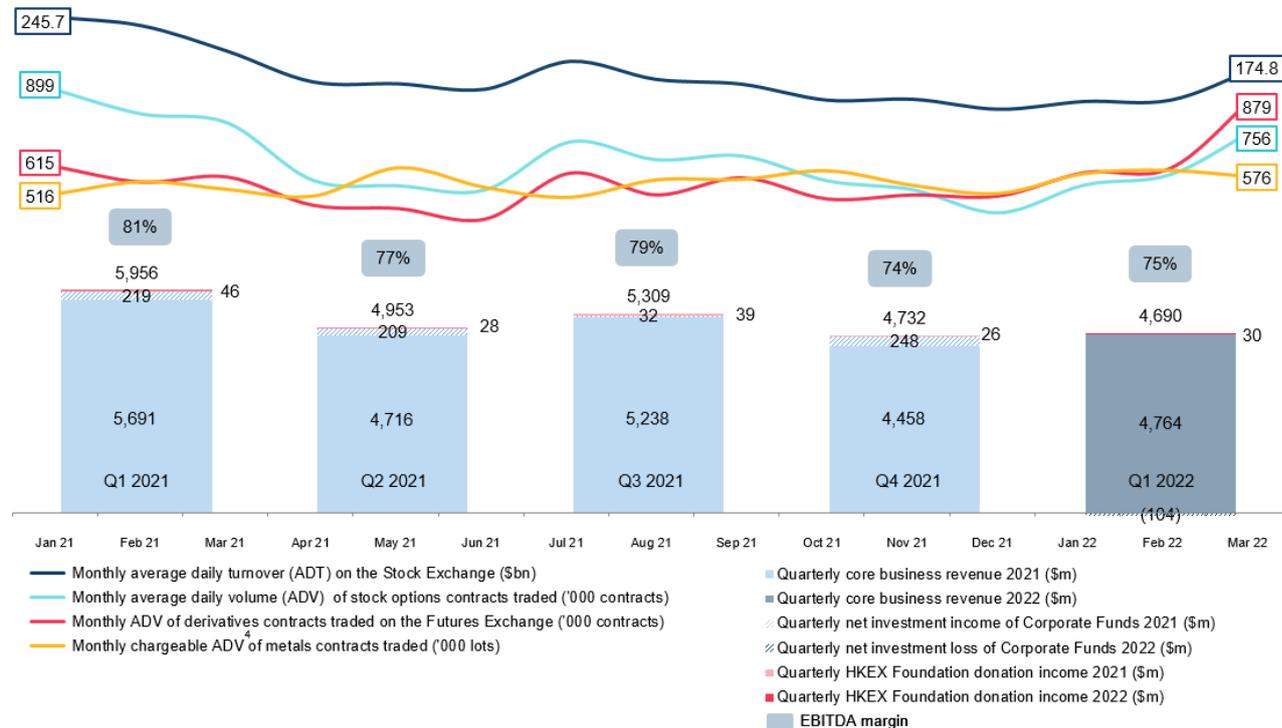


Fig. 1 – Market activity and Group's⁵ revenue and other income/(loss)

HKEX's Cash, Derivatives and Commodities businesses demonstrated their robustness and resiliency in Q1 2022, despite the resurgence of Covid-19 in Hong Kong and global geopolitical fragility. Headline ADT was \$146.5 billion in Q1 2022, 35 per cent lower than the record Q1 2021, but 16 per cent higher than Q4 2021. Increased volatility and increased popularity of newly launched derivatives products resulted in solid growth in the number of derivatives contracts traded on HKFE in Q1 2022, with ADV 21 per cent higher than Q1 2021 and 39 per cent higher than Q4 2021. Commodities volume also registered moderate growth against Q1 2021 and Q4 2021, driven by the increase in volatility and commodity prices.

Revenue and other income for Q1 2022 was \$4,690 million, 21 per cent lower than Q1 2021, due to lower trading and clearing fees from lower Headline ADT, and also net fair value losses on collective investment schemes of \$189 million (Q1 2021: gains of \$159 million), reflecting the broader performance of the global equity and fixed income markets. Compared with Q4 2021, revenue and other income in Q1 2022 was down marginally by 1 per cent, as the increase in trading and clearing fees from higher trading volumes was more than offset by the net fair value losses on collective investment schemes in Q1 2022.

Operating expenses increased by 7 per cent against Q1 2021, but were 2 per cent lower than Q4 2021. Compared with Q1 2021, the increase was mainly due to higher staff costs and higher marketing cash incentives for new products.

Looking forward, HKEX is fully focused on delivering its vision to build the Marketplace of the Future, by strengthening Hong Kong as an international financial centre, facilitating the vital two-way capital flows between East and West, delivering vibrant, diversified markets, supporting the creation of great companies and putting our clients first.

⁵ 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), Qianhai Mercantile Exchange Co., Ltd. (QME), BayConnect Technology Company Limited (BayConnect) and other subsidiaries

Analysis of Results and Business Update by Operating Segment

	Q1 2022				Q1 2021			
	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m
Results by segment:								
Cash	1,379	-	1,379	1,215	1,820	-	1,820	1,673
Equity and Financial								
Derivatives	926	(36)	890	702	1,011	(33)	978	801
Commodities	376	-	376	214	361	-	361	197
Post Trade	1,804	(3)	1,801	1,580	2,248	(12)	2,236	2,009
Technology	276	-	276	205	248	-	248	180
Corporate Items	(71)	-	(71)	(443)	268	-	268	(51)
	4,690	(39)	4,651	3,473	5,956	(45)	5,911	4,809

Cash Segment

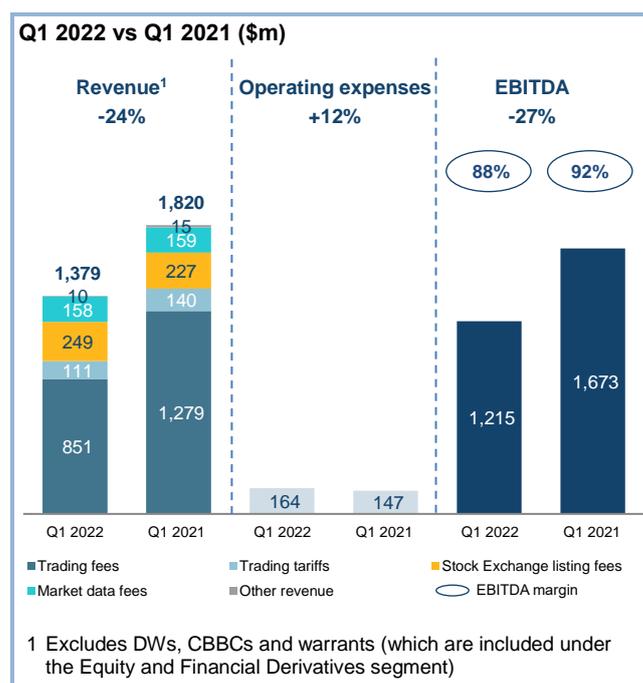
Analysis of Results

Revenue was down 24 per cent and EBITDA was down 27 per cent compared with Q1 2021.

Trading fees decreased by \$428 million, or 33 per cent compared with Q1 2021. This was attributable to the 36 per cent decrease in ADT of equity products traded on the Stock Exchange and the 16 per cent decrease in ADT of Northbound Trading of Stock Connect. Trading tariffs dropped by 21 per cent, driven by the decrease in equity products traded.

Stock Exchange listing fees increased by \$22 million, mainly due to an increase in forfeitures.

Operating expenses increased by 12 per cent due to higher allocated costs of the Listing Division, reflecting the higher listing fees from forfeitures of initial public offerings (IPOs) and lower listing fees from derivative warrants (DWs) and callable bull/bear contracts (CBBCs).



Business Update

In Q1 2022, the trading activities of the Hong Kong Cash Market recovered from slow activities seen in Q4 2021. Headline ADT was up 16 per cent to \$146.5 billion against Q4 2021, but down 35 per cent against the exceptionally strong Q1 2021. Uncertain geopolitical tension, elevated inflation risk and higher interest rate environment has affected overall market sentiment.

Stock Connect performed well in Q1 2022, operating smoothly and resiliently with ADT of Northbound and Southbound Trading at RMB105.9 billion and \$35.5 billion respectively. Stock Connect generated revenue and other income of \$641 million (Q1 2021: \$737 million), of which \$486 million (Q1 2021: \$596 million) arose from trading and clearing activities.

The Hong Kong IPO market was slow in Q1 2022 with the backdrop of current macro environment. During the period, HKEX welcomed 17 listings, raising \$14.9 billion in funds, down 89 per cent compared with Q1 2021. Following the introduction of the listing regime for special purpose acquisition companies (SPACs), HKEX welcomed the first SPAC listing, Aquila Acquisition Corporation, raising \$1.0 billion on 18 March 2022. In Q1 2022, more than 30 SPAC Exchange Participants (EPs) successfully registered with HKEX and are eligible for trading SPAC securities. Despite Q1 IPO softness, the HKEX IPO pipeline remains very strong with 157 active applications, including 10 outstanding SPAC applications, as at 31 March 2022.

During Q1 2022, HKEX announced it will launch a new digital investor relations platform, IR Connect, in Q3 2022. This will become an important investor engagement and intelligence portal, supporting issuers in Hong Kong as they look to build a better network with the global investor and analyst community.

ADT of Exchange Traded Products (ETPs), which include Exchange Traded Funds (ETFs) and Leveraged and Inverse Products (L&I Products), increased to \$11.1 billion in Q1 2022 (Q1 2021: \$8.5 billion). ETPs recorded the highest single day turnover of \$38.1 billion on 16 March 2022, attributable to Hong Kong equities ETFs and Hang Seng TECH L&I products. In addition, HKEX's ETP new product listing continues to expand, with 8 new ETPs listed during Q1 2022, including the first metaverse-themed ETF, first carbon futures ETF, and first pure-play Hong Kong equity ESG ETF. These products further diversify product offerings in the thematic ETF space.

Northbound Bond Connect saw significant growth in Q1 2022, with ADT reaching a record quarterly high of RMB33.9 billion, up 34 per cent compared with Q1 2021. Single-day trading volume recorded an all-time high of RMB69.8 billion on 19 January 2022, and trading volume in January 2022 reached a monthly record high of RMB780.7 billion. As at 31 March 2022, a total of 3,453 institutional investors from 36 jurisdictions participated in Northbound Bond Connect, up 7 per cent from 3,233 institutional investors as at 31 December 2021.

Key Market Indicators	Q1	
	2022	2021
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	126.0	198.0
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn)	48.8	58.2
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn)	57.1	68.6
ADT of Southbound Trading – Shanghai-Hong Kong Stock Connect ² (\$bn)	18.7	29.5
ADT of Southbound Trading – Shenzhen-Hong Kong Stock Connect ² (\$bn)	16.8	31.3
ADT of Northbound Bond Connect (RMBbn)	33.9⁴	25.3
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000)	1,974	2,458
Number of newly listed companies on the Main Board ³	17	31
Number of newly listed companies on GEM	-	1
Total equity funds raised		
- IPOs (\$bn)	14.9	136.6
- Post-IPO (\$bn)	63.1	127.1
Number of companies listed on the Main Board at 31 Mar	2,224	2,187
Number of companies listed on GEM at 31 Mar	349	366
Number of trading days	61	61
1 Excludes \$20.5 billion (Q1 2021: \$26.4 billion) of ADT of DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment) and includes ADT of Southbound Trading under Stock Connect		
2 Includes buy and sell trades under Stock Connect		
3 Includes 1 transfer from GEM (Q1 2021: Nil)		
4 New record quarterly high in Q1 2022		

The listed bond market continued to gain momentum in Q1 2022. The Stock Exchange welcomed 131 bonds to the market during Q1 2022, raising a total of \$311.4 billion. Among these were 26 green/ Environment, Social and Governance (ESG) related bond listings, raising a total of \$71.4 billion (Q1 2021: 19 listings raising \$51.5 billion). As at 31 March 2022, there were a total of 1,796 listed bonds on the market, valued at over \$6 trillion.

HKEX's Sustainable and Green Exchange (STAGE) continued to gain traction. As at 31 March 2022, there were a total of 96 sustainable-focused products from leading issuers displayed on STAGE, including green, social, sustainable or similar bonds from issuers across different sectors, as well as ESG-related ETPs.

HKEX continues to actively explore a range of new opportunities to create value for the Group's stakeholders, with a focus in particular on expanding our digital expertise and consolidating our role as Asia's leading ESG hub. Key developments include:

- (i) HKEX signed a Memorandum of Understanding (MOU) with China Emissions Exchange (CEEX) to explore cooperation in tackling climate change and promoting sustainability through carbon finance. This supports China's pledge for peak carbon emissions by 2030 and carbon neutrality by 2060;
- (ii) Participation in Project Genesis, a project led by the Bank for International Settlements (BIS), Innovation Hub Hong Kong Centre and the Hong Kong Monetary Authority (HKMA). After the publication of two prototypes on tokenised green bonds in November 2021, the project has entered into the next phase of exploration on a new green bond product, targeting to provide more potential solutions that may help market participants in achieving their environmental and sustainability goals; and
- (iii) The Green and Sustainable Finance Cross-Agency Steering Group (with HKEX and SFC co-chairing the Carbon Market Workstream) published its preliminary feasibility assessment of carbon market opportunities for Hong Kong, identifying the next steps to support the development of Hong Kong as a regional carbon trading centre.

The Stock Exchange published the following guidance materials during Q1 2022:

Guidance materials

- A "Review of Issuers' Annual Reports – 2021" on findings and recommendations from a review of issuers' annual reports for the 2020 financial year end
 - A new guidance letter on the qualifications and obligations of a trustee / custodian regarding the operation of the escrow account of a SPAC and updated guidance letters on (i) documentary requirements and administrative matters for new listing applications and (ii) documentary requirements and administrative matters for Collective Investment Schemes applications
 - A revised listing decision, and 27 revised country guides, following the consultation conclusions on reforms to enhance the listing regime for overseas issuers
 - A new e-Learning module on trading arrangements for corporate actions as part of a new e-Learning series dedicated to ongoing compliance requirements under the Listing Rules
 - The semi-annual Enforcement Bulletin focusing on internal controls
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Equity and Financial Derivatives Segment

Analysis of Results

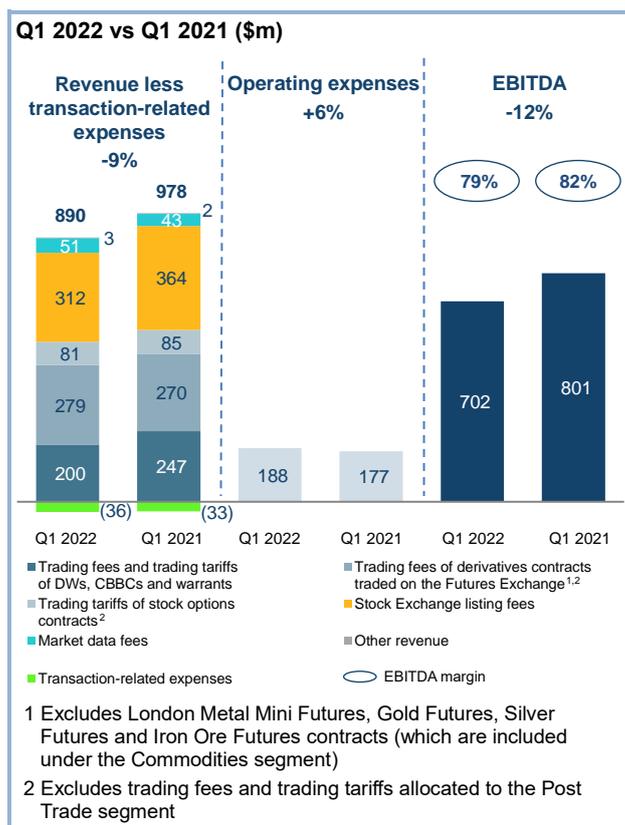
Revenue, less transaction-related expenses, was down 9 per cent; and EBITDA was down 12 per cent compared with Q1 2021.

Trading fees and trading tariffs of DWs, CBBCs and warrants were down 19 per cent compared with Q1 2021, attributable to the 22 per cent decrease in ADT and the 18 per cent decrease in average daily number of trades.

Futures Exchange derivatives trading fees⁶ increased by \$9 million or 3 per cent due to the increase in number of derivatives contracts traded, but this was partly offset by lower fees per contract, attributable to fee waivers for certain newly launched products and a lower proportion of higher fee contracts (including Hang Seng Index (HSI) futures and options) being traded in Q1 2022.

Stock Exchange listing fees decreased by 14 per cent due to a decrease in number of newly listed DWs and CBBCs compared with Q1 2021.

Operating expenses increased by 6 per cent due to increase in cash incentives relating to new products.



⁶ 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 traded⁶ in Q1 2022 was 1,339,149 contracts, 5 per cent lower than Q1 2021. Nevertheless, a daily record volume was achieved on 16 March 2022 with over 2.8 million of derivatives contracts traded.

Driven by both volatility and increased popularity in newly launched products, as well as an increase in cross product trading activities, several single-day records in volume and open interest (OI) were achieved during Q1 2022:

	Single-day Trading Volume	
	Date (2022)	Number of contracts
Hang Seng TECH Index Futures	16 Mar	169,151
MSCI China A 50 Connect (USD) Index Futures	16 Feb	65,682
Hang Seng China Enterprises Index (HSCEI) Futures Options	15 Mar	45,363
HSI Futures Options	18 Mar	25,292
Weekly HSI Options	16 Mar	22,683

	Open interest	
	Date (2022)	Number of contracts
HSCEI Futures Options	17 Mar	298,034
Hang Seng TECH Index Futures	25 Mar	103,805
HSI Futures Options	18 Mar	53,995
MSCI China A 50 Connect (USD) Index Futures	18 Jan	42,718
MSCI Taiwan Net Total Return (USD) Index Futures	17 Mar	28,026
Mini HSI Futures	17 Mar	27,632
Weekly HSI Options	17 Mar	15,316
Mini USD/CNH Futures	14 Mar	11,480

Key Market Indicators	Q1	
	2022	2021
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	20.5	26.4
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	416	510
ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts)	702	583
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	637	827
Number of newly listed DWs	3,729	4,644
Number of newly listed CBBCs	11,844	12,932
ADV of contracts traded during After-Hours Trading (AHT) ¹ ('000 contracts)	125	81
Number of trading days	61	61
	At	At
	31 Mar 2022	31 Mar 2021
Open interest of futures and options contracts ¹ ('000 contracts)	11,291	13,045

¹ Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

The MSCI China A 50 Connect (USD) Index Futures continued its robust performance in Q1 2022, with ADV of 21,468 contracts, up 86 per cent against the ADV during the period since launch (18 October 2021) to 31 December 2021.

Hang Seng TECH Index Futures, introduced in November 2020, posted record highs in both single-day trading volume and OI in Q1 2022. ADV reached 52,944 contracts in Q1 2022, more than 8 times of ADV in Q1 2021. OI reached 75,005 contracts as at 31 March 2022, up 40 per cent from 31 December 2021.

The two physically-settled Options on Futures Contracts continued the strong momentum in Q1 2022 since launch in August 2021. ADV of HSCEI Futures Options reached 12,625 contracts in Q1 2022, more than doubled of ADV in Q4 2021. OI of HSI Futures Options and HSCEI Futures Options increased from 5,335 contracts and 84,866 contracts as at 31 December 2021 to 49,491 contracts and 266,264 contracts as at 31 March 2022 respectively.

The currency derivatives market further accelerated in Q1 2022 due to increased demand for currency risk management tools to address heightened macro and market volatility. ADV of USD/CNH Futures reached 9,349 contracts in Q1 2022, up 33 per cent against Q1 2021. On 16 March 2022, the total trading volume of currency derivatives products reached a record high of 34,596 contracts.

On 6 January 2022, HKEX published consultation conclusions for Derivatives Holiday Trading (DHT), after receiving positive responses from a broad spectrum of market stakeholders on its

consultation paper published in November 2021. The initiative will enable investors to actively manage their derivatives portfolios during Hong Kong holidays, when the markets of their underlying securities holdings may be open. Following the successful completion of readiness test on 27 February 2022, DHT will commence on 9 May 2022, with MSCI derivatives product suite being the first products included. In addition, HKEX announced the new Large Open Position (LOP) Reporting arrangements for DHT in April 2022. The launch of DHT is part of HKEX's ongoing commitment to enhance Hong Kong's market microstructure to support the needs of trading global products.

Effective 8 April 2022, HKEX introduced two revisions to the capital adjustment methodology in relation to spin-offs for stock options and futures to protect market integrity and to maintain an orderly market when spin-offs occur. The revisions include (i) revising the adjustment ratio formula for capital adjustment and (ii) introducing an adjustment ratio floor of 0.1 on contract size or contract multiplier.

Impacted by global market sentiment, the structured products market saw a reduction in both listing and trading activity during the quarter, as compared to the exceptionally strong Q1 2021. ADT of CBBCs, DWs and warrants was \$20.5 billion in Q1 2022, down 22 per cent against Q1 2021; and the number of newly listed structured products was 15,573 in Q1 2022, down 12 per cent against Q1 2021. Despite the decline, the market recorded solid growth against Q4 2021, with ADT up by 13 per cent and the number of newly listed structured products up by 10 per cent.

HKEX is dedicated to offer greater variety in the structured products market and to provide investors with more diversification options. During Q1 2022, three issuers entered into the US Index Derivative Warrants market, meeting the market's growing interest in overseas underlying. US Index Derivative Warrants have been well received, with ADT in Q1 2022 nearly doubled of that of Q1 2021.

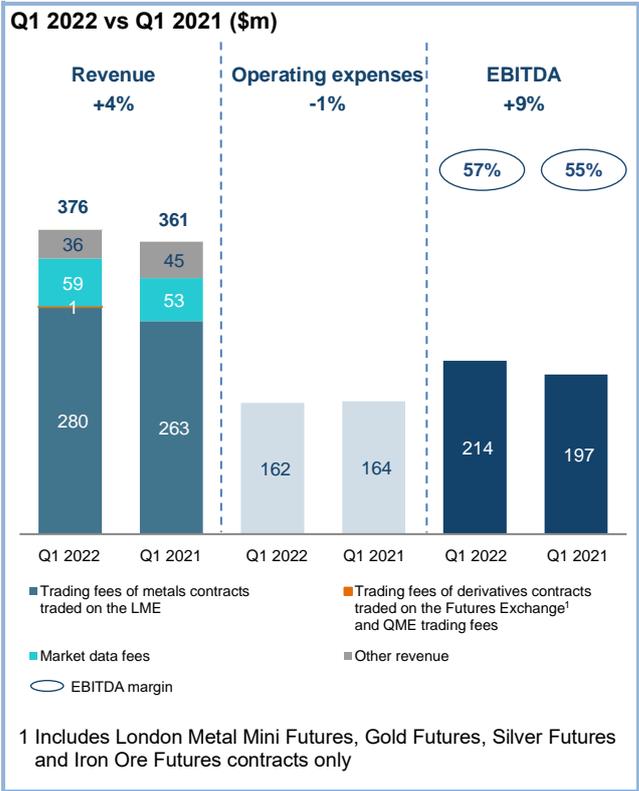
Commodities Segment

Analysis of Results

Revenue was up 4 per cent and EBITDA was up 9 per cent compared with Q1 2021.

LME trading fees increased by \$17 million (6 per cent) due to the 10 per cent increase in chargeable ADV of metals contracts traded in Q1 2022, partly offset by a lower average fee per contract and higher incentive rebates.

Operating expenses dropped by 1 per cent, due to depreciation of GBP and targeted cost controls.



Business Update

Since the Ring reopened on 6 September 2021, the LME's market has adjusted well to the new split pricing approach where Official Prices are established on the Ring and Closing Prices are established electronically. On 21 February 2022, Sigma Broking Limited joined as a new Ring member, bringing the total number of Ring Dealing members to nine.

On 8 March 2022, the LME, in consultation with LME Clear, suspended trading in all nickel contracts with effect from 08:15 UK time, and cancelled all trades executed on or after 00:00 UK time on 8 March. The LME had concluded that disorderly market conditions had arisen on the LME's nickel market. In the lead up to the resumption of nickel trading on 16 March 2022, the LME worked with stakeholders to assess market conditions and then implemented additional operational arrangements for the orderly resumption of trading, including the introduction of daily price limits and the provision of OTC nickel trading data, which had previously not been made available to the LME.

Key Market Indicators	Q1	
	2022	2021
ADV of metals contracts traded on the LME ('000 lots)		
Aluminium	245	222
Copper	122	127
Zinc	96	79
Nickel	76	66
Lead	42	36
Others	7	6
Total chargeable ADV excluding Admin Trades ¹	588	536
Chargeable Admin Trades ¹	31	26
Other non-chargeable trades	1	2
Total ADV	620	564
Number of trading days	63	63
	At	At
	31 Mar 2022	31 Mar 2021
Total futures market open interest ('000 lots)	1,603	1,867
1 Admin Trades are chargeable at a lower fee rate of US\$0.04 per contract.		

LMEpassport, the LME's centralised digital register which was launched in August 2021, has continued to gain traction in 2022, with more than 1.4 million records created in the system from 20,000 Certificates of Analysis (CoA). The LME continues to engage and collaborate with market stakeholders on the LME's sustainability taxonomy, which provides LMEpassport users with a practical sustainability categorisation framework. In Q1 2022, a growing number of producers have registered their interest in disclosing sustainability credentials on LMEpassport, further enabling its development into a trusted industry store of metal provenance and sustainability data.

In Hong Kong, USD London Metal Mini Futures volumes and USD Gold Futures grew substantially, with 90,289 lots and 96,970 lots traded in Q1 2022, as compared with 41,513 lots and 518 lots in Q1 2021 respectively. On 17 March 2022, a Maximum Fluctuation Price Band mechanism was introduced for London Mini Metal contracts in both T and T+1 sessions, safeguarding investors from potential extreme price fluctuations.

In the Mainland, despite the resurgence of Covid-19, trading turnover at QME reached RMB10.4 billion in Q1 2022, more than 5 times that of Q1 2021. In addition to the current product suites including metals, energy and building materials, QME is actively preparing for the launch of agricultural products.

Post Trade Segment

Analysis of Results

Revenue and other income, less transaction-related expenses, was down 19 per cent and EBITDA was down 21 per cent compared with Q1 2021.

Clearing and settlement fees for the Cash Market and for Settlement Instructions (SIs) decreased by 23 per cent and 19 per cent respectively. The decreases were primarily driven by a lower number of transactions, and lower clearing fees from Stock Connect Northbound Trading of \$246 million (Q1 2021: \$285 million).

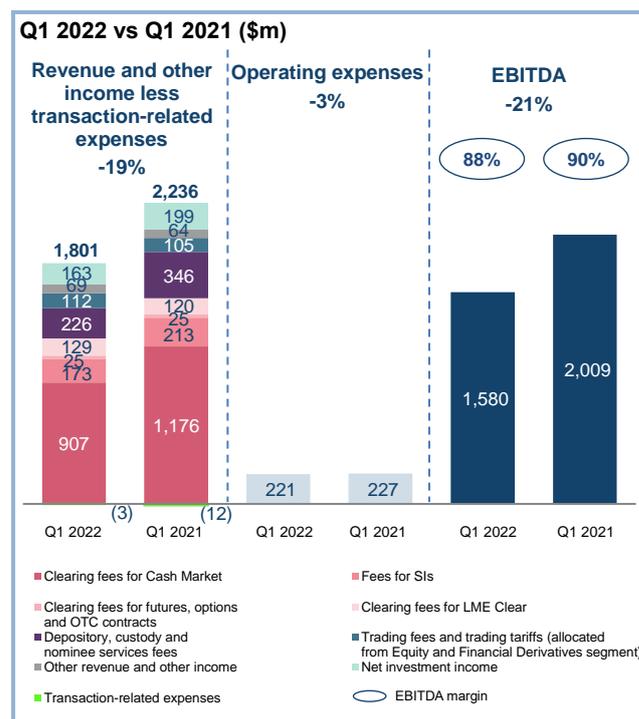
Depository, custody and nominee services fees decreased from \$346 million in Q1 2021 to \$226 million in Q1 2022, mainly due to a decrease in electronic-IPO (e-IPO) service fees from lower number of e-IPO applications.

Net investment income decreased by \$36 million compared with Q1 2021, but increased by \$36 million compared with Q4 2021. This reflected the higher HKD and USD deposit rates in Q1 2022, but was affected by the lagging effect due to maturity profile of the deposits.

The analysis of net investment income is as follows:

	Q1 2022			Q1 2021		
	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	138	4	142	182	5	187
- Debt securities	18	-	18	12	1	13
- Exchange gains/(losses)	3	-	3	(1)	-	(1)
Total net investment income	159	4	163	193	6	199
Average fund size (\$bn)	233.0	18.8	251.8	186.2	22.8	209.0
Annualised net investment return	0.27%	0.09%	0.26%	0.41%	0.10%	0.38%

Operating expenses decreased by 3 per cent, reflecting lower staff costs due to lower headcount.



Business Update

Effective 28 March 2022, HKCC enhanced its third party clearing arrangements to provide operational flexibility to an HKFE EP that is a Non-Clearing Participant, to appoint up to two General Clearing Participants for the clearing and settlement of its contracts traded on HKFE.

The development of the Fast Interface for New Issuance (FINI) platform is progressing well. HKEX has started engaging with market participants on system interface specifications, and held a series of stakeholder webinars during Q1 2022.

OTC Clear's USD/CNH Cross Currency Swaps (CCS) clearing volume grew steadily and reached a record quarterly high, with US\$22.9 billion notional cleared, up 34 per cent from the previous record of US\$17.1 billion in Q1 2021. In addition, OTC Clear has made notable progress in client on-boarding in Q1 2022, with the admission of new clients via the Settlement Sponsorship Membership model and the activation of CCS clearing for two clearing members.

Following the HKMA's requirement for all Authorized Institutions to cease entering into new London Interbank Offered Rate (LIBOR)-linked contracts after 2021 (with limited exceptions), 94 per cent of notional cleared in OTC Clear in Q1 2022 referenced the Secured Overnight Financing Rate (SOFR) benchmark rate. This reflects OTC Clear's commitment to ensuring the smooth transition from LIBOR to SOFR.

Key Market Indicators	Q1	
	2022	2021
ADT traded on the Stock Exchange ¹ (\$bn)	146.5	224.4
Average daily number of Stock Exchange trades ('000)	2,390	2,968
Average daily value of SIs for Stock Exchange trades (\$bn)	331.0	480.7
Average daily number of SIs for Stock Exchange trades ('000)	125	147
ADT of Northbound Trading of Stock Connect ¹ (RMBbn)	105.9	126.8
Average daily value of SIs for Northbound Trading of Stock Connect (RMBbn)	30.0	27.1
Chargeable ADV ² of metals contracts traded on the LME ('000 lots)	588	536

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

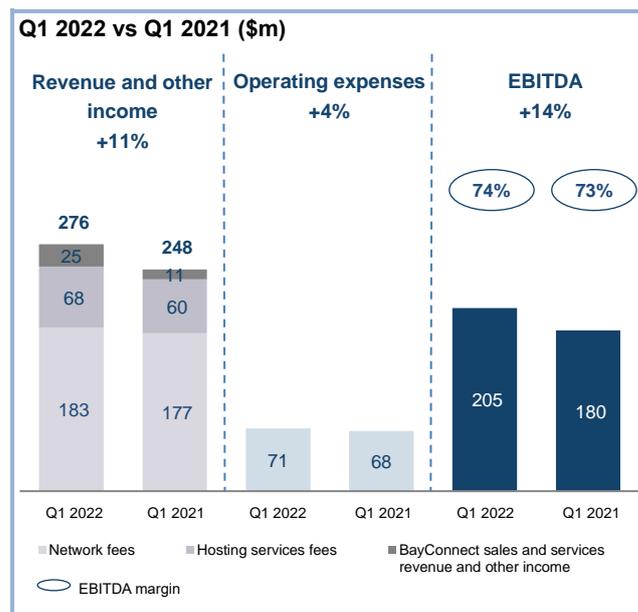
Technology Segment

Analysis of Results

Revenue and other income was up 11 per cent and EBITDA was up 14 per cent compared with Q1 2021.

During Q1 2022, network fees rose by 3 per cent due to increased usage of the Orion Central Gateway and China Connect Central Gateway by EPs, partly offset by lower fees from the sale of new throttles.

Hosting services fees rose by 13 per cent due to growth in both new customer subscriptions and increased usage by existing customers.



Business Update

During Q1 2022, despite market volatility and challenges posed by the pandemic on work arrangements, all of HKEX's major trading, clearing, settlement and market data dissemination systems for the Cash and Derivatives Markets continued to perform robustly. On the Commodities Market, a power outage at the LME's third party data centre at around closing time on 10 January 2022 resulted in a temporary market interruption to the LME's electronic trading platform (LMEselect). Root cause has been identified and corrective measure has been implemented.

HKEX continued to improve the infrastructure resilience of the derivatives platforms, Hong Kong Futures Automated Trading System (HKATS) and Derivatives Clearing and Settlement System (DCASS), by implementing additional hot standby servers to achieve higher level of hardware redundancy in January 2022.

To refresh the technology of the electronic channel for file exchange between HKEX and market participants, the Electronic Communication Platform (ECP) will be upgraded in Q2 2022. Related system development and user acceptance tests were completed in Q1 2022. Market communication is underway and a practice session for participants was carried out in April. The new ECP 2.0 platform will improve usability and pave the way for new functionalities including relevant file submission under Hong Kong Investor Identification Regime (HKIDR).

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

	Q1 2022 \$m	Q1 2021 \$m
Net investment (loss)/income	(104)	219
HKEX Foundation donation income	30	46
Others	3	3
Total revenue and other income	(71)	268
Operating expenses:		
- HKEX Foundation charitable donations	(23)	(25)
- Others	(349)	(294)
EBITDA	(443)	(51)

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

	Q1 2022 \$m	Q1 2021 \$m
Net investment (loss)/income from:		
- Collective investment schemes	(189)	159
- Cash and bank deposits	48	48
- Equity securities ¹	2	-
- Debt securities	2	-
- Exchange gains	33	12
Total net investment (loss)/income	(104)	219
Average fund size (\$bn)	34.2	34.3
Annualised net investment return	(1.21%)	2.56%

¹ Investments in minority stakes of unlisted companies

Net investment loss of Corporate Funds was \$104 million, compared with net investment income of \$219 million in Q1 2021. This was principally due to net fair value losses of \$189 million on collective investment schemes, as opposed to the net fair value gains of \$159 million in Q1 2021.

As at 31 March 2022, the amounts invested in collective investment schemes amounted to \$8.6 billion, a decrease of 2 per cent against 31 December 2021, reflecting fair value losses. Further details of the amounts invested in collective investment schemes are as follows:

Strategy	At 31 Mar 2022 \$m	At 31 Dec 2021 \$m	Change
Public Equities	1,655	1,774	(7%)
Diversifiers	4,881	4,949	(1%)
Government Bonds and Mortgage-backed Securities	2,029	2,020	0%
Total	8,565	8,743	(2%)

The fair value change on collective investment schemes in Q1 2022 versus Q1 2021 mainly came from funds invested in public equities (Q1 2022: losses of \$149 million, Q1 2021: gains of \$98 million) and diversifiers (Q1 2022: gains of \$17 million, Q1 2021: gains of \$105 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 donation expenses, operating expenses increased by 19 per cent against Q1 2021 due to increased staff costs from higher headcount for strategic projects.

Business Update

In Q1 2022, HKEX initiated an end-to-end review of the operating model of its Hong Kong businesses. This review includes the views of a broad range of both internal and external stakeholders, and evaluates the structure, processes, people and measures that define how HKEX organises itself to execute on its main strategic initiatives. Management expects this exercise to result in targeted improvements that drive client-centricity, increase cross-divisional coordination, attract talent in key expertise domains and proactively support HKEX's vision to build the Marketplace of the Future.

The Group continues to actively monitor and assess the potential risks and possible implications of ongoing global tensions and geopolitical volatility. This forms part of our established business continuity planning (BCP) and regulatory and risk assessment procedures. Any expected material impact on the business or our market will be communicated as needed.

In Q1 2022, HKEX continued to play an active role in shaping the long-term sustainability of global financial markets. Our Corporate Social Responsibility (CSR) focus remained on our markets, our people and our operations. HKEX's promotion of good corporate governance and ESG stewardship through industry knowledge-sharing and leadership on best practices, in particular, has been a cornerstone of our outreach during the quarter. And, as part of the Group's ongoing commitment to promote diversity, in support of International Women's Day, HKEX rolled out a multi-channelled communications campaign to celebrate the outstanding contribution of women and their allies at HKEX and in our community.

HKEX continued to promote sustainable and green finance through HKEX's STAGE, as well as through education and 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 Limited (HKEX Foundation), HKEX's dedicated charitable channel, continued to support our community through programmes that build better lives. Through the Foundation, we launched the enhanced HKEX Impact Funding Scheme, committed to funding a wide range of projects focusing on financial literacy, diversity and inclusion, poverty relief and environmental sustainability. In addition, HKEX committed a further \$10 million donation in support of Hong Kong Covid-19 pandemic relief programmes to provide vital support to those in need during these challenging times.

FINANCIAL REVIEW

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

Margin Fund deposits of \$301.3 billion at 31 March 2022 were \$97.8 billion higher than at 31 December 2021 (\$203.5 billion). This was due to increased contributions required from LME Clear members reflecting higher margin requirements from increased market volatility, and higher contributions from HKCC Clearing Participants (CPs) from the increase in open positions. Clearing House Fund contributions remained fairly stable and amounted to \$19.1 billion at 31 March 2022, as compared to \$19.2 billion at 31 December 2021, as higher contributions required from HKCC and LME Clear CPs were mostly offset by decrease in contributions from HKSCC and 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 Q1 2022, the Group incurred capital expenditure⁷ of \$190 million (Q1 2021: \$331 million) mainly related to the development and upgrade of various trading and clearing systems (notably

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

trading systems for Commodities Market). The Group's capital expenditure commitments at 31 March 2022, including those authorised by the Board but not yet contracted for, amounted to \$797 million (31 December 2021: \$815 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems.

Contingent Liabilities

At 31 March 2022, there were no significant changes in the Group's contingent liabilities compared with 31 December 2021.

Pledges of Assets

LME Clear receives securities and gold bullion as non-cash collateral for margins posted by its CPs. The total fair value of this non-cash collateral was US\$3,499 million (HK\$27,402 million) at 31 March 2022 (31 December 2021: US\$971 million (HK\$7,570 million)). LME Clear is obliged to return this non-cash collateral upon request when the CPs' collateral obligations have been substituted with cash collateral or otherwise discharged. LME Clear is permitted to sell or pledge such collateral in the event of the default of a CP. Any non-cash collateral lodged at central securities depositories or custodians is subject to a lien or pledge for the services they provide in respect of the collateral held.

LME Clear also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$18,165 million (HK\$142,257 million) at 31 March 2022 (31 December 2021: US\$13,513 million (HK\$105,351 million)). Such non-cash collateral, together with certain financial assets amounting to US\$793 million (HK\$6,210 million) at 31 March 2022 (31 December 2021: US\$400 million (HK\$3,117 million)), have been pledged to LME Clear's investment agent and custodian banks under security arrangements for the settlement and depository services they provide in respect of the collateral and investments held.

Non-cash collateral is not recorded on the consolidated statement of financial position of the Group.

Changes since 31 December 2021

There were no other significant changes in the Group's financial position, or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2021.

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 2022 (Q1 2021: \$Nil).

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for Q1 2022.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Three months ended 31 Mar 2022 \$m	Three months ended 31 Mar 2021 \$m
Trading fees and trading tariffs	1,915	2,389
Clearing and settlement fees	1,234	1,534
Stock Exchange listing fees	561	591
Depository, custody and nominee services fees	226	346
Market data fees	268	255
Other revenue	394	375
REVENUE	4,598	5,490
Net investment income	59	418
HKEX Foundation donation income	30	46
Sundry income	3	2
REVENUE AND OTHER INCOME	4,690	5,956
Less: Transaction-related expenses	(39)	(45)
REVENUE AND OTHER INCOME LESS TRANSACTION-RELATED EXPENSES	4,651	5,911
OPERATING EXPENSES		
Staff costs and related expenses	(803)	(765)
IT and computer maintenance expenses	(172)	(167)
Premises expenses	(28)	(28)
Product marketing and promotion expenses	(33)	(16)
Professional fees	(32)	(20)
HKEX Foundation charitable donations	(23)	(25)
Other operating expenses	(87)	(81)
	(1,178)	(1,102)
EBITDA	3,473	4,809
Depreciation and amortisation	(354)	(327)
OPERATING PROFIT	3,119	4,482
Finance costs	(36)	(39)
Share of profits less losses of joint ventures	25	16
PROFIT BEFORE TAXATION	3,108	4,459
TAXATION	(445)	(632)
PROFIT FOR THE PERIOD	2,663	3,827
PROFIT/(LOSS) ATTRIBUTABLE TO:		
- Shareholders of HKEX	2,668	3,840
- Non-controlling interests	(5)	(13)
PROFIT FOR THE PERIOD	2,663	3,827
Basic earnings per share	\$2.11	\$3.03
Diluted earnings per share	\$2.11	\$3.03

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 31 Mar 2022 \$m	Three months ended 31 Mar 2021 \$m
PROFIT FOR THE PERIOD	2,663	3,827
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries	74	37
Cash flow hedges	(9)	-
Changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(111)	8
OTHER COMPREHENSIVE (LOSS)/INCOME	(46)	45
TOTAL COMPREHENSIVE INCOME	2,617	3,872
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
- Shareholders of HKEX	2,621	3,885
- Non-controlling interests	(4)	(13)
TOTAL COMPREHENSIVE INCOME	2,617	3,872

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	At 31 Mar 2022			At 31 Dec 2021		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS						
Cash and cash equivalents	264,525	-	264,525	181,361	-	181,361
Financial assets measured at fair value through profit or loss	230,016	926	230,942	99,915	946	100,861
Financial assets measured at fair value through other comprehensive income	12,074	-	12,074	9,755	-	9,755
Financial assets measured at amortised cost	57,296	341	57,637	51,302	526	51,828
Accounts receivable, prepayments and deposits	34,817	21	34,838	32,717	21	32,738
Tax recoverable	6	-	6	19	-	19
Interests in joint ventures	-	269	269	-	244	244
Goodwill and other intangible assets	-	19,006	19,006	-	18,972	18,972
Fixed assets	-	1,562	1,562	-	1,605	1,605
Right-of-use assets	-	1,828	1,828	-	1,896	1,896
Deferred tax assets	-	36	36	-	25	25
Total assets	598,734	23,989	622,723	375,069	24,235	399,304
LIABILITIES AND EQUITY						
Liabilities						
Financial liabilities at fair value through profit or loss	221,680	-	221,680	91,424	-	91,424
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	301,320	-	301,320	203,536	-	203,536
Accounts payable, accruals and other liabilities	27,012	-	27,012	28,335	-	28,335
Deferred revenue	947	350	1,297	1,100	354	1,454
Taxation payable	1,171	-	1,171	1,153	-	1,153
Other financial liabilities	54	-	54	513	-	513
CPs' contributions to Clearing House Funds	19,149	-	19,149	19,182	-	19,182
Lease liabilities	304	1,678	1,982	299	1,760	2,059
Borrowings	340	87	427	340	86	426
Provisions	102	97	199	82	98	180
Deferred tax liabilities	-	1,125	1,125	-	1,132	1,132
Total liabilities	572,079	3,337	575,416	345,964	3,430	349,394
Equity						
Share capital			31,896			31,896
Shares held for Share Award Scheme			(922)			(901)
Employee share-based compensation reserve			397			306
Hedging and revaluation reserves			(105)			15
Exchange reserve			(44)			(117)
Designated reserves			620			623
Reserve relating to written put options to non-controlling interests			(369)			(369)
Retained earnings			15,554			18,173
Equity attributable to shareholders of HKEX			47,027			49,626
Non-controlling interests			280			284
Total equity			47,307			49,910
Total liabilities and equity			622,723			399,304
Net current assets			26,655			29,105

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 2021.

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

In 2022, the Group has adopted the following amendments to HKFRSs which are pertinent to the Group's operations:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Business combinations: Reference to the Conceptual Framework ²
Amendments to HKFRS 16	Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Annual Improvements to HKFRSs 2018-2020:	
Amendments to HKFRS 9	Financial Instruments: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities ²
Amendments to Illustrative Examples accompanying HKFRS 16	Leases: Lease Incentives ²

¹ Effective for accounting periods beginning on or after 1 April 2021

² Effective for accounting periods beginning on or after 1 January 2022

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

During Q1 2022, the estimated useful lives of other computer hardware and software within fixed assets were revised from “three years” to “three to five years” to better reflect the useful life of the assets. The effect of the change in accounting estimate in Q1 2022 was a decrease in depreciation charge of \$8 million.

The financial information relating to the year ended 31 December 2021 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 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

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

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

Hong Kong, 27 April 2022

As at the date of this announcement, HKEX's Board of Directors comprises 12 Independent Non-executive Directors, namely Mrs Laura May-Lung CHA (Chairman), Mr Nicholas Charles ALLEN, Mr Apurv BAGRI, Mr CHEAH Cheng Hye, Ms CHEUNG Ming Ming, Anna, Mrs CHOW WOO Mo Fong, Susan, Mr Rafael GIL-TIENDA, Mr HUNG Pi Cheng, Benjamin, Ms LEUNG Nisa Bernice Wing-Yu, Mr LEUNG Pak Hon, Hugo, Mr YIU Kin Wah, Stephen and Mr ZHANG Yichen, and one Executive Director, Mr Alejandro Nicolas AGUZIN, who is also the Chief Executive of HKEX.