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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 2020

HIGHLIGHTS

Charles Li, Chief Executive said:

“HKEX performed well in the first nine months of 2020, despite a volatile macro backdrop. Revenue and other income, and profit reached record highs in the first nine months of 2020, underpinned by strong Cash Market turnover, Stock Connect and Bond Connect volumes, as well as a buoyant IPO market. Investment income was lower than last year, reflecting global portfolio valuations and the low interest rate environment. We remain on track with the delivery of our Strategic Plan 2019-2021, well-placed to capture future growth opportunities, and fully focused on managing costs and risks. With robust trading volumes, a strong IPO pipeline, and an expanding product portfolio, I am confident that HKEX will play an increasingly important role in global markets.”

Strategic Highlights

- Hong Kong’s IPO market ranked third globally by IPO funds raised and fourth globally by number of IPOs in YTD Q3 2020¹, including a number of high profile secondary and biotech listings, including NetEase, JD.com, and Yum China Holdings
- Stock Connect Northbound and Southbound ADT reached record nine-month highs of RMB90.0 billion and \$23.2 billion respectively
- Bond Connect celebrated its 3rd anniversary in July, with ADT reaching a record nine-month high of RMB19.7 billion. A number of enhancements were implemented in Q3, including fee reductions, trading hours extension and the expansion in the number of foreign exchange settlement banks
- 38 MSCI Asia and Emerging Markets Index Futures were launched in Q3, representing a major step forward in the expansion of HKEX’s derivatives product portfolio. The launch is being supported by enhanced incentives for liquidity providers and proprietary traders, as well as selected fee holidays
- Other new product launches in Q3 included the first ETF under master-feeder structure; the first four A share L&I Products; the first four Hang Seng TECH Index ETFs; and natural gas products on QME
- The listing cycle of structured products was shortened from five to three trading days in July 2020
- The LME issued discussion papers on its sustainability plan and LMEpassport, a platform to support voluntary transparency on sustainability criteria
- HKEX Foundation and its first flagship Charity Partnership Programme were launched, as well as the HKEX University Scholarship Programme, in celebration of HKEX’s 20th listing anniversary
- HKEX’s commitment to sustainability and the growth of green finance in Asia was reinforced with the announcement of STAGE in June 2020 - a new sustainable and green finance platform, promoting access, knowledge and insight

Financial Highlights

- YTD Q3 2020 revenue and other income was 12 per cent higher than YTD Q3 2019, a nine-month record high
 - Core business revenue was up 21 per cent against YTD Q3 2019, reflecting higher trading and clearing fees driven by record headline ADT²
 - Stock Connect revenue and other income reached a record high of \$1,354 million, up 79 per cent against YTD Q3 2019
- Net investment income fell \$673 million against YTD Q3 2019, primarily due to the lower fair value gains of collective investment schemes, reflecting valuations in global equity and fixed income markets
- Operating expenses were 11 per cent higher than YTD Q3 2019. Excluding HKEX Foundation charitable expenses³, operating expenses were up 9 per cent, attributable to annual payroll adjustments and increased headcount arising from the acquisition of BayConnect in June 2019, and higher IT costs and professional fees
- EBITDA⁴ margin was 77 per cent, consistent with YTD Q3 2019, and 2 per cent higher than the full 2019 financial year
- Profit attributable to shareholders was a nine-month record high of \$8,580 million, 16 per cent higher than YTD Q3 2019

1 Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, 1H = first half, 2H = second half, YTD Q3 = nine months ended 30 September, YTD Q3 2019 or the prior period = nine months ended 30 September 2019, YTD Q3 2020 or the period = nine months ended 30 September 2020

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

3 HKEX Foundation Limited (HKEX Foundation) was established to deepen HKEX’s commitment and long established connectivity with our communities. From 2H 2020 onwards, both the donation income from the Stock Code Balloting Charity Scheme and the amounts previously paid directly to the Hong Kong Community Chest were channelled through HKEX Foundation. Together with the first flagship Charity Partnership Programme and other charitable activities, HKEX Foundation charitable expenses amounted to \$57 million in YTD Q3 2020.

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 and other non-recurring costs arising from the proposed combination with London Stock Exchange Group plc (LSEG).

Key Financials

	YTD Q3 2020 \$m	YTD Q3 2019 \$m	Change
Revenue and other income			
Core business revenue	12,608	10,409	21%
Net investment income	1,483	2,156	(31%)
	14,091	12,565	12%
Operating expenses	3,208	2,902	11%
EBITDA	10,883	9,663	13%
Profit attributable to shareholders	8,580	7,412	16%
Basic earnings per share	\$6.80	\$5.92	15%

Key Market Statistics

	YTD Q3 2020	YTD Q3 2019	Change
ADT of equity products traded on the Stock Exchange (\$bn)	106.8*	70.8	51%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	18.9	19.7	(4%)
ADT traded on the Stock Exchange (Headline ADT) (\$bn)	125.7*	90.5	39%
ADT of Northbound Trading of Stock Connect (RMBbn)	90.0*	42.0	114%
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	644	649	(1%)
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	523	464	13%
Chargeable ADV ⁵ of metals contracts traded on the LME ('000 lots)	590	618	(5%)
ADT of Bond Connect (RMBbn)	19.7*	8.8	124%

* New record high for YTD Q3

5 Chargeable ADV excludes administrative trades (Admin Trades) and other non-chargeable trades. Admin Trades were introduced in 2017 to meet requirements resulting from Markets in Financial Instruments Directive (MiFID) II.

BUSINESS REVIEW

Overview

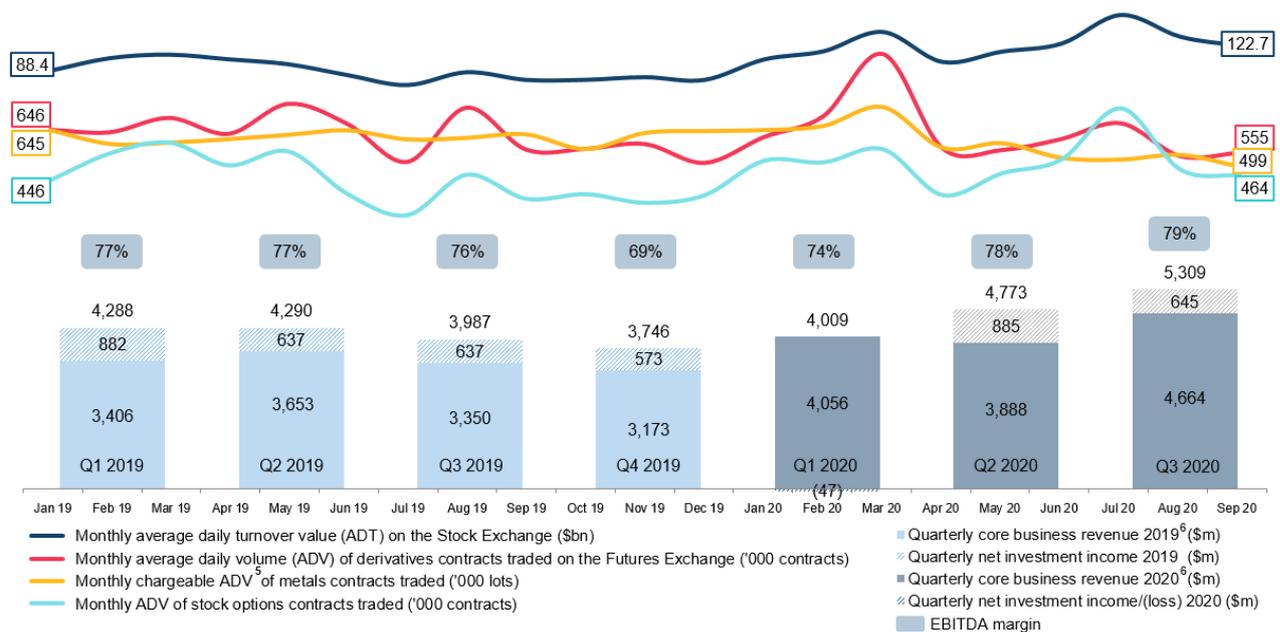


Fig. 1 – Market activity and Group's⁷ revenue and other income/(loss)

Despite the challenging macroeconomic and geopolitical backdrop, HKEX's business performed well in YTD Q3 2020, with record revenue and other income and profit during the period. Headline ADT² rose to a record nine-month high of \$125.7 billion, 39 per cent above YTD Q3 2019. Stock Connect also saw record nine-month revenue and other income in YTD Q3 2020 as both Northbound and Southbound Trading volumes reached record highs.

Revenue and other income for YTD Q3 2020 rose by 12 per cent against YTD Q3 2019, to \$14.1 billion. The increase in trading and clearing fees was partly offset by lower fair value gains on collective investment schemes of \$71 million (\$643 million in YTD Q3 2019), reflecting the performance of the global equity and fixed income markets. Operating expenses increased by 11 per cent compared with the prior period. Excluding HKEX Foundation charitable expenses³ of \$57 million, operating expenses were up 9 per cent against YTD Q3 2019, mainly due to higher staff costs from annual payroll adjustments and increased headcount arising from the acquisition of BayConnect in June 2019, higher IT and computer maintenance expenses for new IT systems and upgraded networks, and higher professional fees incurred for strategic projects and other business initiatives.

For Q3 2020, driven by the increased Cash Market trading activities, revenue and other income reached a quarterly record high of \$5.3 billion, up 11 per cent against Q2 2020. The increase in trading and clearing fees from higher headline ADT (up 24 per cent from Q2 2020) was partly offset by lower net investment income, driven by lower fair value gains of collective investment schemes and lower investment return of the internally-managed funds.

The Group maintained its focus on delivering upon its Strategic Plan 2019-2021, whilst continuing to adopt a prudent approach to cost control and risk management. Throughout the quarter the business has remained responsive and agile, actively managing resources and operations, to ensure the continued stability and resilience of its markets and the business, with work from home programmes, a dedicated employee wellness programme, industry knowledge sharing and

⁶ Includes revenue and sundry income

⁷ HKEX and its subsidiaries, which include The Stock Exchange of Hong Kong Limited (SEHK or the Stock Exchange), Hong Kong Futures Exchange Limited (HKFE or the Futures Exchange), Hong Kong Securities Clearing Company Limited (HKSCC), HKFE Clearing Corporation Limited (HKCC), The SEHK Options Clearing House Limited (SEOCH), OTC Clearing Hong Kong Limited (OTC Clear), The London Metal Exchange (LME), LME Clear Limited (LME Clear), BayConnect Technology Company Limited (BayConnect) and other subsidiaries

leadership on resilience, and broad stakeholder engagement. At the same time HKEX has continued to innovate and play an active role in shaping the long-term sustainability of global financial markets and of our communities, with a renewed focus on green and sustainable finance, good governance, Environmental, Social and Governance (ESG) considerations, philanthropy and community engagement. New initiatives have been rolled out alongside our existing Corporate Social Responsibility (CSR) and sustainability programmes and included completing the distribution of the HKEX COVID-19 Relief Fund, the launch of HKEX Foundation and the new Charity Partnership Programme, the launch of STAGE, our green and sustainable finance platform, and the roll out of the HKEX University Scholarship Programme.

Business Update and Analysis of Results by Operating Segment

	YTD Q3 2020		YTD Q3 2019	
	Revenue and other income \$m	EBITDA \$m	Revenue and other income \$m	EBITDA \$m
Results by segment:				
Cash	3,637	3,201	2,750	2,306
Equity and Financial Derivatives	2,511	2,012	2,348	1,930
Commodities	1,107	592	1,046	565
Post Trade	5,771	5,114	4,846	4,236
Technology	662	453	576	406
Corporate Items	403	(489)	999	220
	14,091	10,883	12,565	9,663

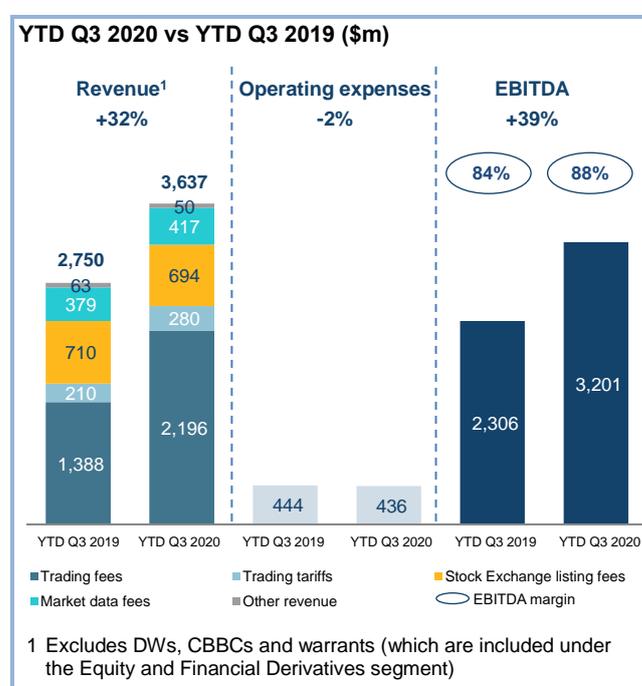
Cash Segment

Analysis of Results

Trading fees increased by \$808 million, or 58 per cent, compared with YTD Q3 2019. This was more than the 51 per cent increase in ADT of equity products, primarily due to record fees from Stock Connect Northbound Trading of \$339 million (YTD Q3 2019: \$163 million). Trading tariffs rose by 33 per cent, in line with the increase in equity products' trading.

Stock Exchange listing fees dropped by \$16 million, attributable to a \$22 million decrease in initial listing fees from fewer forfeitures, partly offset by a \$6 million increase in annual listing fees from a higher number of listed companies.

Operating expenses decreased by 2 per cent due to lower allocated costs of the Listing Division to this segment. This reflects the decrease in listing fees from equities, compared with the increase in listing fees from DWs and CBBCs, which are under the Equity and Financial Derivatives segment.



Business Update

The Hong Kong Cash Market performed resiliently, despite the challenging backdrop, and saw significant growth in YTD Q3 2020 compared with YTD Q3 2019, with headline ADT reaching a record nine-month high of \$125.7 billion, up 39 per cent against YTD Q3 2019.

Stock Connect recorded strong flows in both Northbound and Southbound Trading, with ADT reaching record nine-month highs in YTD Q3 2020 at RMB90.0 billion and \$23.2 billion respectively, more than double that of YTD Q3 2019. In addition, daily record highs were set for Northbound Trading turnover (RMB191.2 billion on 7 July 2020) and Southbound Trading turnover (\$60.2 billion on 6 July 2020). As a result, Stock Connect generated record nine-month revenue and other income of \$1,354 million (YTD Q3 2019: \$758 million), of which \$1,090 million (YTD Q3 2019: \$529 million) arose from trading and clearing activities.

Following the announcement made by the China Securities Regulatory Commission and Shenzhen Stock Exchange on 27 April 2020, the enhanced trading arrangements under the ChiNext reform programme, which include changes of price limits, maximum order size and dynamic price restriction, took effect on 24 August 2020. The new trading arrangements also apply to Northbound Trading under Shenzhen-Hong Kong Stock Connect, which were launched smoothly.

Effective September 2020, stocks of biotech companies listed under Chapter 18A with the “B” marker removed have been included into the eligible securities list under Southbound Trading of Stock Connect. This marks a further step in enhancing the Stock Connect programme.

HKEX successfully launched the Pre-Opening Session (POS) Enhancement on 19 October 2020, introducing a robust and stable opening auction to improve price discovery and increase trading liquidity before the market opens. It adopts relevant features from the current Closing Auction Session, including a two-stage price limit, allowing of short selling, allowing at-auction limit orders throughout POS and random commencement of auction matching.

The strong momentum in Hong Kong’s Initial Public Offering (IPO) market continued during Q3 2020, with a number of high profile secondary and biotech listings. During YTD Q3 2020, HKEX welcomed 104 listed companies (including the secondary listing of NetEase, JD.com and Yum China Holdings), raising a total of \$215.9 billion, ranking third globally⁸ by IPO funds raised and fourth globally⁸ by number of IPOs.

During YTD Q3 2020, HKEX expanded its outreach and engagement with issuers and market participants through various digital channels, conducting a total of 40 “virtual listing ceremonies”; three online market data workshops; and a host of market education seminars and webinars on diverse topics such as the new MSCI futures product suite, listing rule changes and market enhancements. HKEX is now the second largest⁸ IPO fundraising platform for Biotech companies

Key Market Indicators	YTD Q3	
	2020	2019
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	106.8⁴	70.8
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn)	38.4⁴	22.0
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn)	51.6⁴	20.0
ADT of Bond Connect (RMBbn)	19.7⁴	8.8
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000)	1,587⁴	1,193
Number of newly listed companies on the Main Board ³	97	100
Number of newly listed companies on GEM	7	8
Total equity funds raised		
- IPOs (\$bn)	215.9	133.9
- Post-IPO (\$bn)	263.3	102.2
Number of companies listed on the Main Board at 30 Sept	2,143	2,013
Number of companies listed on GEM at 30 Sept	375	382
Number of trading days	187	184
<p>1 Excludes \$18.9 billion (YTD Q3 2019: \$19.7 billion) of ADT of DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment) and includes \$12.7 billion⁴ (YTD Q3 2019: \$6.8 billion) of ADT of Southbound Trading under Shanghai-Hong Kong Stock Connect and \$10.5 billion⁴ (YTD Q3 2019: \$3.9 billion) under Shenzhen-Hong Kong Stock Connect</p> <p>2 Includes buy and sell trades under Stock Connect</p> <p>3 Includes 5 transfers from GEM (YTD Q3 2019: 10)</p> <p>4 New record high for YTD Q3</p>		

⁸ Source: Dealogic

in the world and the HKEX Biotech Summit was hosted on 1 September, with the 2020 event attracting a record number of participants and contributors.

ADT of Exchange Traded Products (ETPs), which include Exchange Traded Funds (ETFs) and Leveraged and Inverse Products (L&I Products), increased to \$6.8 billion in YTD Q3 2020 (YTD Q3 2019: \$5.1 billion). In particular, L&I Products continued to deliver strong growth, with ADT more than tripling from \$0.5 billion in YTD Q3 2019 to \$1.7 billion in YTD Q3 2020.

In addition, HKEX's ETP product suite continues to expand. In Q3 2020, HKEX welcomed the listing of the first ETF under master-feeder structure, first four A share L&I Products and first four Hang Seng TECH Index ETFs. On 28 August 2020, the Hang Seng TECH Index ETF achieved a record high first trading day ETF turnover of \$3.0 billion.

On 1 June 2020, HKEX introduced a new spread table and continuous quoting market making obligations to enhance the liquidity of ETPs. In the first four months of launch, the median spreads of ETPs listed in Hong Kong decreased by more than 20 per cent while the top 10 most actively traded ETPs saw their spreads compressed by more than 50 per cent, significantly reducing the cost for investors to trade ETPs.

Bond Connect celebrated its 3rd anniversary on 3 July 2020. Following the announcement made by the People's Bank of China (PBOC) to further enhance the scheme, Bond Connect has implemented the following measures in Q3 2020:

- (i) Since 1 July 2020, Bond Connect Service Fee has been reduced by 20 per cent and 33 per cent for bonds with short and long tenor respectively;
- (ii) Since 21 September 2020, Bond Connect trading hours have been extended to 20:00 from 16:30 (China Standard Time) for transactions settling T+1 and beyond; and
- (iii) Since 24 September 2020, Bond Connect investors are able to select up to three foreign exchange (FX) settlement banks to conduct their currency conversion and FX risk management needs.

In YTD Q3 2020, ADT of Bond Connect reached a new record nine-month high of RMB19.7 billion, more than doubling that of YTD Q3 2019. Trading volume in Q3 2020 also reached a quarterly record high of RMB1,275.3 billion. At 30 September 2020, the overall foreign investor holdings in the China Interbank Bond Market's domestic debt securities rose to RMB2,940 billion and the total number of approved institutional investors increased to 2,171, up 34 per cent and 36 per cent from 31 December 2019 respectively.

On 24 September 2020, FTSE Russell recognised the pace and extent of the recent market reforms, and announced that Chinese Government Bonds will be included in the FTSE World Government Bond Index (WGBI) with inclusion scheduled to start with the October 2021 profiles.

After the announcement of HKEX's Sustainable and Green Exchange (STAGE) in June, work is underway for the formal launch, estimated in November 2020, which will include an online repository of green, social and sustainable bonds and ESG-related ETPs listed on the Stock Exchange.

The Stock Exchange published consultation conclusions since July 2020 on the following topics:

	Consultation conclusions	Effective date of changes
• Review of Chapter 37 – Debt Issues to Professional Investors Only	21 August 2020	1 November 2020
• Codification of General Waivers and Principles relating to IPOs and Listed Issuers and Minor Rule Amendments	28 August 2020	1 October 2020
• Corporate WVR Beneficiaries	30 October 2020	30 October 2020 ¹

¹ The changes relate to an addition to grandfathering arrangements for issuers controlled by corporate weighted voting right beneficiaries that seek a secondary listing under Chapter 19C of the Listing Rules and primary listed on certain exchanges on or before publication of the consultation conclusions.

In addition, the Stock Exchange published the following guidance materials during Q3 2020:

Guidance materials

- First bi-annual Listing Division Newsletter covering recent listing developments and upcoming initiatives
- A new module of e-Learning on connected transactions as part of the new e-learning series on the ongoing compliance requirements under the Listing Rules
- “Guidance on Disclosures in Listing Documents and Continuing Obligations under Chapter 37 – Debt Issues to Professional Investors Only” to promote disclosure consistency and quality of listing documents, and reminds issuers of their post-listing continuing obligations
- New guidance letter on experience and qualification requirements of a company secretary and two revised guidance letters on (i) corporate governance and ESG for IPO applicants and (ii) liquidity arrangements for issuers seeking to list by introduction where the securities to be listed are already listed on another stock exchange
- Two new Listing Decisions on (i) seeking a prior mandate for the share issuance proposal on a one-off basis and (ii) meeting the requirements under Chapter 17 of the Main Board Listing Rules in relation to a proposal to grant options to a discretionary trust under a share option scheme

Equity and Financial Derivatives Segment

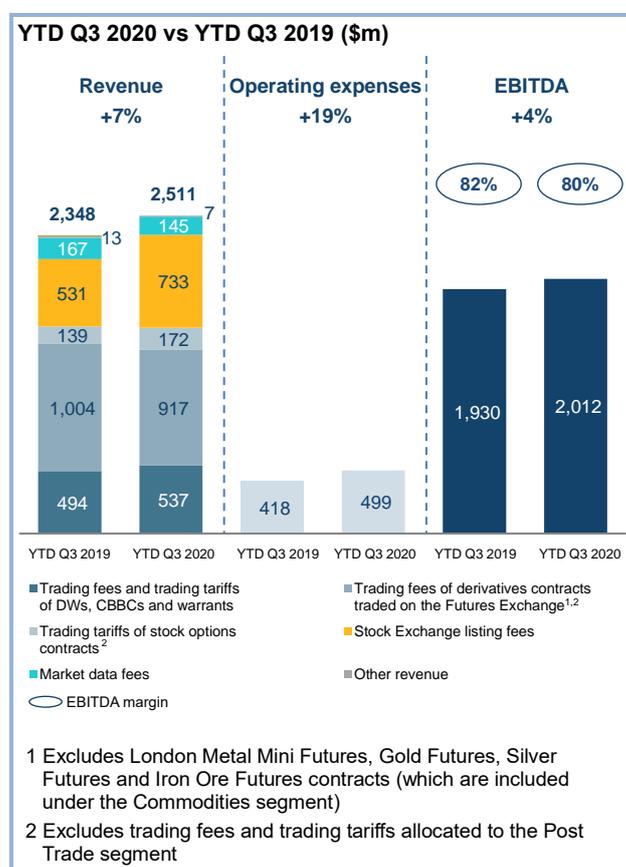
Analysis of Results

Revenue was up 7 per cent and EBITDA was up 4 per cent compared with YTD Q3 2019 for the segment. Derivatives trading fees of the Futures Exchange decreased by \$87 million or 9 per cent. The decrease was mainly due to a lower proportion of higher fee contracts, including Hang Seng Index (HSI) futures and options, being traded during YTD Q3 2020.

Despite the 4 per cent decrease in ADT, trading fees and trading tariffs of DWs, CBBCs and warrants increased by 9 per cent compared with YTD Q3 2019, attributable to higher trading fees received from new issues of DWs and CBBCs and an 8 per cent increase in the average daily number of trades.

Stock Exchange listing fees increased by 38 per cent, due to the increase in number of newly listed DWs and CBBCs during the period. In particular, the number of newly listed CBBCs reached a nine-month record high of 29,377 in YTD Q3 2020.

Operating expenses increased by 19 per cent due to higher allocated costs of the Listing Division, reflecting the increase in listing fees from DWs and CBBCs compared with the decrease in listing fees from equities, and license fees payable for MSCI contracts starting from Q3 2020.



Business Update

Trading volume in the After-Hours Trading (T+1) Session continued to grow, with ADV⁹ reaching 102,684 contracts in YTD Q3 2020, 26 per cent and 18 per cent higher than the full year 2019 and YTD Q3 2019 respectively.

HKEX successfully launched 38 MSCI futures contracts during Q3 2020, which signalled a major step forward in the expansion of HKEX's derivatives product portfolio, and significantly added to the product breadth and depth of the Hong Kong markets. The launch of these contracts also provides access to a suite of new trading and risk management tools strengthening HKEX's unique product ecosystem. The newly introduced futures contracts cover Asia and Emerging Market Indexes with two of them trading in JPY¹⁰ and one trading in SGD¹⁰. These marked the first JPY and SGD derivatives contracts traded on HKEX.

As of 30 September 2020, MSCI suite recorded a total of 125,992 contracts traded since launch and 44,066 contracts in open interest. MSCI Taiwan (USD) Index Futures and MSCI Taiwan Net Total Return (USD) Index Futures were the most active contracts among the 38 MSCI index futures contracts with the following record volume and open interest:

Key Market Indicators	YTD Q3	
	2020	2019
ADV of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	18.9	19.7
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	348	321
ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts)	643	646
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	523	464
Number of newly listed DWs	8,903	6,999
Number of newly listed CBBCs	29,377 ²	19,031
Number of newly listed Inline Warrants	676	412
ADV of contracts traded during After-Hours Trading (AHT) ¹ ('000 contracts)	103 ²	87
Number of trading days	187	184
	At	At
	30 Sept 2020	30 Sept 2019
Open interest of futures and options contracts ¹ ('000 contracts)	12,026	11,280
<small>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</small>		

	Single-day Trading Volume		Open interest	
	Date (2020)	Number of contracts	Date (2020)	Number of contracts
MSCI Taiwan (USD) Index Futures	23 Sept	25,918	29 Sept	48,978
MSCI Taiwan Net Total Return (USD) Index Futures	17 Sept	19,207	18 Sept	22,092

A revision of opening hour and the introduction of pre-market opening period for the MSCI Taiwan (USD) Index Futures and MSCI Taiwan Net Total Return (USD) Index Futures became effective on 28 September 2020, which help investors react to market events and price movements. To allow a broader range of investors to participate in the newly introduced MSCI products, HKEX filed applications to the US Commodity Futures Trading Commission (CFTC) and received certification to allow 28 MSCI futures contracts to be offered and sold to persons in the United States.

RMB¹⁰ currency derivatives volume grew in Q3 2020, with 443,704 USD¹⁰/CNH¹⁰ Futures contracts traded, a 27 per cent increase from Q2 2020. Over 1.3 million contracts of USD/CNH Futures were traded in YTD Q3 2020, and open interest increased to 25,797 contracts as at 30 September 2020, up 11 per cent from the end of 2019. To further enhance liquidity of USD/CNH Futures in the T+1 Session, five new liquidity providers were recruited.

Trading volume of INR¹⁰ Currency Futures rose by 86 per cent in Q3 2020 from the previous quarter. Growth intensified in the second half of Q3, and trading volume in September 2020 almost

⁹ Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

¹⁰ CNH = Offshore RMB traded outside Mainland China, INR = Indian Rupee, JPY = Japanese Yen, RMB = Renminbi, SGD = Singapore Dollar, USD = United States Dollar

doubled the previous month with 23,605 contracts traded. To enable management of risks in longer tenors, four additional contract months (3rd, 4th, 5th and 6th calendar months) were added to INR/USD Futures and INR/CNH Futures on 29 June 2020 and 14 July 2020 respectively.

HKEX hosted its 7th annual RMB Fixed Income and Currency (FIC) Conference on 22 September 2020, in a virtual format with over 1,600 market participants and professionals registered. Speakers and panelists from different segments of the FIC market shared views on the impact of the 2020 market volatility, future developments in the Chinese bond and derivatives markets, and the opportunities for Hong Kong.

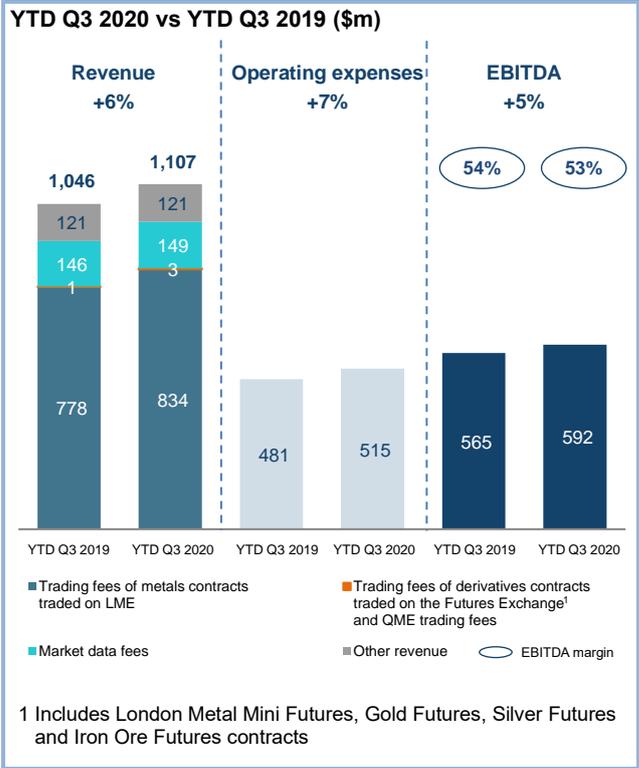
As the world’s most actively-traded market for structured products, HKEX has been working with market participants to simplify workflow and enhance market efficiency on product issuance. The listing cycle of structured products was shortened from five to three trading days in July 2020. The new listing cycle is another milestone for HKEX to accelerate growth in its structured products market.

Commodities Segment

Analysis of Results

Chargeable ADV of metals contracts traded on the LME in YTD Q3 2020 decreased by 5 per cent compared with YTD Q3 2019, as higher volumes in March 2020 were more than offset by decreased volumes during subsequent quarters, as financial users took a “risk-off” approach in response to COVID-19 uncertainty. LME trading fees, however, increased by \$56 million (7 per cent) due to the fee increment effective from 1 January 2020.

Operating expenses increased by 7 per cent due to higher IT maintenance expenses and higher professional fees incurred for strategic projects and operational resilience.



Business Update

The LME demonstrated its resiliency and adaptability throughout the quarter. It maintained its suspension of trading on the LME Ring in response to the threat of COVID-19, and the temporary shift to electronic pricing introduced earlier in the year remained in effect.

In August 2020, the LME issued a discussion paper on sustainability in global metal markets, with a proposed way forward to make metals a cornerstone of a sustainable future. The LME sought feedback on its proposals designed to support the green transition across low carbon production, responsible sourcing, green technology and the circular economy. These proposals include a platform to support voluntary transparency on sustainability criteria (LMEpassport), a spot trading platform for the pricing and trading of sustainable metal, and new contracts for the electric vehicle and recycled economies.

Alongside the sustainability discussion paper, the LME also consulted on the introduction of the LMEpassport. This outlined the planned development of a platform to electronically record Certificates of Analysis (COA) documentation. The COA are currently mostly paper-based and are widely used across the metals value chain, and the introduction of a central record for metals credentials would deliver operational efficiencies to the market and would allow, on a voluntary basis, other information (including sustainability data) to be attached to metal lots.

The LME continued to work towards pre-trade transparency (PTT) compliance for the inter-office market, and confirmed it will implement the “Systematic Fixed Price Auction” approach, with a target go-live date of 30 November 2020.

The LME is also working on operating its own depository, where LME metal warrants are lodged and stored. The LME will streamline the process, introduce more efficiencies and reduce the cost of operation by revising the workflow of warrant lodgement. Member feedback has been positive and delivery of the service is targeted for Q1 2021.

In Hong Kong, the USD London Metal Mini Futures continued to gain traction, with USD Copper Mini Futures and USD Zinc Mini Futures contracts reaching a daily record volume of 3,050 contracts and 1,010 contracts respectively on 29 September 2020.

In July 2020, an online HKEX Commodities Forum was hosted. The three-day webinar attracted more than 1,000 participants globally, discussing the development of metal markets and opportunities and challenges during the pandemic, and beyond.

QME’s trading volume continued strong growth in Q3 2020, reaching a record quarterly high. By 30 September 2020, the number of trading clients has increased to 284, including the first batch of offshore clients. In Q3 2020, QME successfully pilot launched natural gas products, as the first physical trading platform offering energy products in South China. QME also completed the first cross-border transaction and expanded its financing models.

Key Market Indicators	YTD Q3	
	2020	2019
ADV of metals contracts traded on the LME ('000 lots)		
Aluminium	246	235
Copper	132	133
Zinc	94	111
Nickel	68	87
Lead	43	42
Others	7	10
Total chargeable ADV excluding Admin Trades ¹	590	618
Chargeable Admin Trades ¹	42	45
Non-chargeable Admin Trades ¹ and other non-chargeable trades	2	45
Total ADV	634	708
Number of trading days	190	189
	At	At
	30 Sept 2020	30 Sept 2019
Total futures Market Open Interest ('000 lots)	2,001	2,217
<small>1 Admin Trades were introduced in 2017 to meet requirements resulting from MiFID II. These trades were not chargeable prior to 1 May 2019, but became chargeable at US\$0.04 per contract thereafter.</small>		

Post Trade Segment

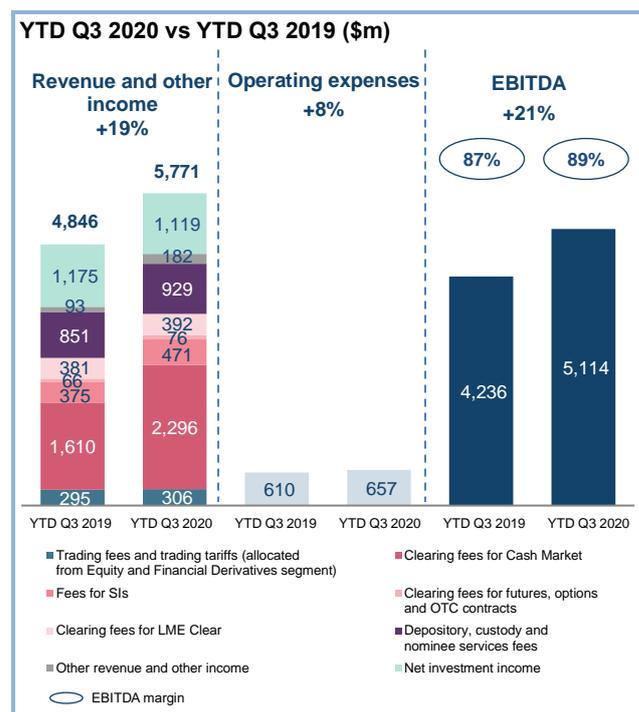
Analysis of Results

Revenue and other income was up 19 per cent and EBITDA was up 21 per cent compared with YTD Q3 2019. Clearing and settlement fees for the Cash Market and for Settlement Instructions (SIs) increased by 43 per cent and 26 per cent respectively. The increases were primarily driven by a higher number of transactions, and record fees from Stock Connect Northbound Trading of \$572 million (YTD Q3 2019: \$275 million).

Depository, custody and nominee services fees increased by \$78 million (9 per cent), mainly due to higher electronic IPO (e-IPO) service fees and Stock Connect portfolio fees, partly offset by lower scrip fees and stock withdrawal fees.

Other revenue increased by \$89 million, mainly due to an increase in accommodation income arising from HKCC Clearing Participants (CPs) placing more Euro and Japanese Yen as collateral, and higher interest shortfall collected from LME Clear CPs on collateral, as USD investment return fell below the benchmark interest rate stipulated in the rules of LME Clear.

Net investment income dropped by \$56 million, mainly due to higher interest rebate payable to HKCC and SEOCH Participants for HKD margin collateral effective from 2 September 2019 and lower investment return, partly offset by higher average fund sizes of Clearing House Funds and Margin Funds arising from higher margin requirements per contract.



	YTD Q3 2020			YTD Q3 2019		
	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	1,007	70	1,077	1,028	76	1,104
- Debt securities	47	-	47	71	-	71
- Exchange losses	(5)	-	(5)	-	-	-
Total net investment income	1,049	70	1,119	1,099	76	1,175
Average fund size (\$bn)	155.3	16.3	171.6	129.6	13.0	142.6
Annualised net investment return	0.90%	0.57%	0.87%	1.13%	0.78%	1.10%

Operating expenses increased by 8 per cent, reflecting increases in staff costs due to annual payroll adjustments, and higher bank charges arising from increase in number of e-IPO applications.

Business Update

With the China A shares weight increase in FTSE Russell Indexes and MSCI China A shares rebalancing, the utilisation of Stock Connect clearing facilities continued to grow, with an 84 per cent increase in average daily value of Northbound SIs in Q3 2020 compared with Q2 2020; and the number of Special Segregated Accounts increased by 16 per cent to 11,101 accounts as at 30 September 2020 (31 December 2019: 9,564). In addition, Northbound portfolio value of A Shares as at 30 September 2020 increased by 32 per cent to RMB1,892 billion compared with 31 December 2019.

HKEX launched the Master Special Segregated Account (Master SPSA) service on 10 July 2020 as an enhancement to the existing SPSA service to support Northbound Trading. This optional service allows pre-trade checking to be conducted at a fund manager, or aggregate level, helping to increase operational efficiencies whilst maintaining the same post trade settlement processes for consistency.

HKSCC has conducted a comprehensive review on its existing buy-in exemption clauses with certain enhancements targeted to be launched in Q4 2020, including the expansion of the scope of contingency situations and removal of buy-in exemption clauses which are no longer applicable after various enhancements to Central Clearing and Settlement System (CCASS).

HKEX completed two initiatives in relation to Large Open Position (LOP) Reporting in September 2020. Leveraging the Secure File Transfer Protocol facility, the Large Open Position Report (LOPR) submission has been fully automated to further enhance client experience. In addition, HKEX rolled out a new surveillance system for LOP and Position Limit monitoring by leveraging on new technology. The modernised surveillance system further strengthens HKEX's surveillance capacity and supports the growth of HKEX's derivatives products.

On 1 September 2020, HKCC and SEOCH enhanced their capital-based position limit (CBPL) policy to provide higher capital efficiency to the market. CPs meeting certain criteria and with appropriate business need are allowed to increase their CBPL by one-third of their existing limits.

OTC Clear's USD/CNH Cross Currency Swaps (CCS) clearing volume during YTD Q3 2020 remained strong, with clearing volume of USD35.6 billion, up 45 per cent compared with YTD Q3 2019. In Q3 2020, the first Interest Rate Swap (IRS) contract benchmarked to the Hong Kong Dollar Overnight Index Average (HONIA) was cleared through OTC Clear, supporting the market adoption of new risk-free reference rates in Hong Kong. In addition, OTC Clear has made significant progress in clearing membership, including the admission of Hua Xia Bank, a PRC-incorporated bank, and expanding client membership categories to include sponsored settlement, which provides higher settlement limits for clients clearing CCS.

Key Market Indicators	YTD Q3	
	2020	2019
ADT traded on the Stock Exchange (\$bn)	125.7 ²	90.5
Average daily number of Stock Exchange trades ('000)	1,935 ²	1,514
Average daily value of SIs (\$bn)	336.6	241.0
Average daily number of SIs ('000)	112	96
Chargeable ADV ¹ of metals contracts traded on the LME ('000 lots)	590	618

1 Chargeable ADV excludes Admin Trades (which became chargeable from May 2019 at a lower clearing fee rate of US\$0.02 per contract) and other non-chargeable trades.
2 New record high for YTD Q3

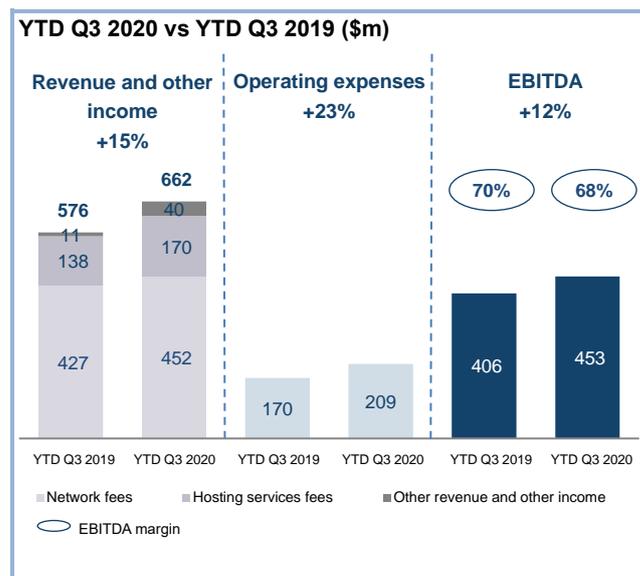
Technology Segment

Analysis of Results

Revenue and other income was up 15 per cent and EBITDA was up 12 per cent compared with YTD Q3 2019. During YTD Q3 2020, network fees rose by 6 per cent due to increased throttle usage of the Orion Central Gateway and China Connect Central Gateway by Exchange Participants, partly offset by lower fees from sale of new throttles.

Hosting services fees rose by 23 per cent, compared with YTD Q3 2019, due to organic growth from both new customer subscriptions and increased usage by existing customers.

Other revenue of \$40 million in YTD Q3 2020 mainly represented IT service income generated by BayConnect, a 51 per cent subsidiary acquired in June 2019.



Operating expenses increased primarily due to inclusion of operating expenses of BayConnect.

Business Update

During YTD Q3 2020, despite the market volatility, and the need for adaptable and flexible working arrangement, all of HKEX's major trading, clearing, settlement and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform robustly.

Corporate Items

"Corporate Items" is not a business segment but comprises central income (including net investment income of Corporate Funds), the cost of central support functions that provide services to all operating segments and other costs not directly related to any operating segments.

	YTD Q3 2020 \$m	YTD Q3 2019 \$m
Revenue and other income		
Net investment income	364	981
HKEX Foundation donation income ³	34	-
Others	5	18
Total	403	999
Operating expenses	(892)	(779)
EBITDA	(489)	220

Analysis of Results

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

	YTD Q3 2020 \$m	YTD Q3 2019 \$m
Net investment income from:		
- Collective investment schemes	71	643
- Cash and bank deposits	325	320
- Debt securities	-	6
- Exchange (losses)/gains	(32)	12
Total net investment income	364	981
Average fund size (\$bn)	30.2	27.8
Annualised net investment return	1.60%	4.71%

Net investment income of Corporate Funds fell \$617 million compared with YTD Q3 2019, principally due to the lower fair value gains on collective investment schemes, reflecting market performance.

The fair value change on collective investment schemes in YTD Q3 2020 versus YTD Q3 2019 mainly came from funds invested in public equities (YTD Q3 2020: losses of \$145 million, YTD Q3 2019: gains of \$306 million) and multi-sector fixed income (YTD Q3 2020: gains of \$22 million, YTD Q3 2019: gains of \$125 million) asset classes. As the valuation of the collective investment schemes reflects movements in market prices, fair value gains or losses may fluctuate or reverse until the investments are sold.

At 30 September 2020, the amounts invested in collective investment schemes amounted to \$7.0 billion, a decrease of 25 per cent against 31 December 2019, reflecting a net redemption of \$2.4 billion made during YTD Q3 2020 and fair value gains of \$71 million. Further details of the amounts invested in collective investment schemes are as follows:

Asset class	At 30 Sept 2020 \$m	At 31 Dec 2019 \$m	Change
Public Equities	1,460	2,440	(40%)
Absolute Return	1,818	1,604	13%
Multi-Sector Fixed Income	2,078	2,583	(20%)
US Government Bonds and Mortgage-backed Securities ¹	1,681	2,716	(38%)
Total	7,037	9,343	(25%)

¹ Includes \$768 million (31 December 2019: \$Nil) invested in money market funds

Operating expenses increased by 15 per cent against YTD Q3 2019 due to increased staff costs from annual payroll adjustments, and \$57 million of charitable expenses³ incurred by HKEX Foundation.

FINANCIAL REVIEW

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

Margin Fund deposits of \$165.6 billion at 30 September 2020 were \$23.1 billion higher than at 31 December 2019 (\$142.5 billion). This was due to an increase in Mainland security and settlement deposits from HKSCC CPs attributable to the increase in Northbound Stock Connect Trading, increased contributions required from SEOCH and HKCC CPs due to higher margin requirements per contract and higher open interest of outstanding contracts, and increased contributions from OTC Clear members for increased clearing activities. Clearing House Fund contributions rose from \$14.4 billion at 31 December 2019 to \$15.7 billion at 30 September 2020 due to higher contributions required from members of LME Clear in response to changes in risk exposures. Funds received were invested in cash and cash equivalents and financial assets.

Capital Expenditure and Commitments

During YTD Q3 2020, the Group incurred capital expenditure¹¹ of \$845 million (YTD Q3 2019: \$622 million) mainly related to the development and upgrade of various trading and clearing systems, and the relocation of Chinachem secondary data centre (CES DC). The Group's capital expenditure commitments at 30 September 2020, including those authorised by the Board but not yet contracted for, amounted to \$1,045 million (31 December 2019: \$1,217 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems (notably the Next Generation Post Trade systems), and the setup of the new secondary data centre to replace CES DC.

Contingent Liabilities

At 30 September 2020, there were no significant changes in the Group's contingent liabilities compared with 31 December 2019.

Pledges of Assets

Securities, gold bullion and warrants were held by LME Clear as non-cash collateral for margins posted by its CPs and collateral in respect of its interest in overnight triparty reverse repurchase agreements, which together amounted to \$86,420 million at 30 September 2020 (31 December 2019: \$83,964 million). This non-cash collateral, which was not recorded on the condensed consolidated statement of financial position of the Group, together with certain financial assets amounting to \$4,046 million at 30 September 2020 (31 December 2019: \$3,692 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 2019

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 2019.

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 2020 (Q3 2019: \$Nil).

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for YTD Q3 2020.

¹¹ Capital expenditure excludes right-of-use assets recognised under HKFRS 16: Leases.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Nine months ended 30 Sept 2020 \$m	Nine months ended 30 Sept 2019 \$m	Three months ended 30 Sept 2020 \$m	Three months ended 30 Sept 2019 \$m
Trading fees and trading tariffs	5,245	4,309	1,915	1,369
Stock Exchange listing fees	1,427	1,241	499	394
Clearing and settlement fees	3,235	2,432	1,245	777
Depository, custody and nominee services fees	929	851	378	276
Market data fees	711	692	239	231
Other revenue	1,018	874	350	297
REVENUE	12,565	10,399	4,626	3,344
Net investment income	1,483	2,156	645	637
Sundry income	43	10	38	6
REVENUE AND OTHER INCOME	14,091	12,565	5,309	3,987
OPERATING EXPENSES				
Staff costs and related expenses	(2,150)	(1,977)	(752)	(649)
IT and computer maintenance expenses	(465)	(422)	(150)	(144)
Premises expenses	(91)	(96)	(32)	(32)
Product marketing and promotion expenses	(34)	(40)	(17)	(11)
Professional fees	(95)	(58)	(29)	(21)
Other operating expenses	(373)	(309)	(152)	(92)
	(3,208)	(2,902)	(1,132)	(949)
EBITDA	10,883	9,663	4,177	3,038
Depreciation and amortisation	(827)	(766)	(282)	(271)
OPERATING PROFIT	10,056	8,897	3,895	2,767
Costs relating to proposed combination with LSEG	-	(130)	-	(130)
Finance costs	(139)	(129)	(43)	(43)
Share of profits less losses of joint ventures	54	17	15	11
PROFIT BEFORE TAXATION	9,971	8,655	3,867	2,605
TAXATION	(1,398)	(1,247)	(528)	(400)
PROFIT FOR THE PERIOD	8,573	7,408	3,339	2,205
PROFIT/(LOSS) ATTRIBUTABLE TO:				
- Shareholders of HKEX	8,580	7,412	3,347	2,207
- Non-controlling interests	(7)	(4)	(8)	(2)
PROFIT FOR THE PERIOD	8,573	7,408	3,339	2,205
Basic earnings per share	\$6.80	\$5.92	\$2.65	\$1.76
Diluted earnings per share	\$6.78	\$5.91	\$2.64	\$1.75

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Nine months ended 30 Sept 2020 \$m	Nine months ended 30 Sept 2019 \$m	Three months ended 30 Sept 2020 \$m	Three months ended 30 Sept 2019 \$m
PROFIT FOR THE PERIOD	8,573	7,408	3,339	2,205
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences of foreign subsidiaries	(65)	12	27	47
Cash flow hedges	(4)	(3)	3	(1)
Changes in fair value of financial assets measured at fair value through other comprehensive income	13	7	6	4
OTHER COMPREHENSIVE INCOME	(56)	16	36	50
TOTAL COMPREHENSIVE INCOME	8,517	7,424	3,375	2,255
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Shareholders of HKEX	8,521	7,430	3,377	2,262
- Non-controlling interests	(4)	(6)	(2)	(7)
TOTAL COMPREHENSIVE INCOME	8,517	7,424	3,375	2,255

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	At 30 Sept 2020			At 31 Dec 2019		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS						
Cash and cash equivalents	123,643	-	123,643	128,152	-	128,152
Financial assets measured at fair value through profit or loss	66,885	614	67,499	56,729	672	57,401
Financial assets measured at fair value through other comprehensive income	5,054	-	5,054	4,569	-	4,569
Financial assets measured at amortised cost	64,932	284	65,216	39,954	718	40,672
Accounts receivable, prepayments and deposits	31,695	21	31,716	25,791	21	25,812
Interests in joint ventures	-	149	149	-	95	95
Goodwill and other intangible assets	-	18,569	18,569	-	18,378	18,378
Fixed assets	-	1,558	1,558	-	1,589	1,589
Right-of-use assets	-	2,268	2,268	-	2,366	2,366
Deferred tax assets	-	29	29	-	17	17
Total assets	292,209	23,492	315,701	255,195	23,856	279,051
LIABILITIES AND EQUITY						
Liabilities						
Financial liabilities at fair value through profit or loss	60,247	-	60,247	48,008	-	48,008
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	165,574	-	165,574	142,536	-	142,536
Accounts payable, accruals and other liabilities	21,857	-	21,857	22,447	-	22,447
Deferred revenue	446	378	824	1,033	403	1,436
Taxation payable	1,292	-	1,292	1,760	-	1,760
Other financial liabilities	43	-	43	59	-	59
CPs' contributions to Clearing House Funds	15,731	-	15,731	14,394	-	14,394
Lease liabilities	307	2,119	2,426	272	2,234	2,506
Borrowings	340	82	422	338	80	418
Provisions	125	106	231	90	104	194
Deferred tax liabilities	-	851	851	-	792	792
Total liabilities	265,962	3,536	269,498	230,937	3,613	234,550
Equity						
Share capital			31,887			30,449
Shares held for Share Award Scheme			(776)			(770)
Employee share-based compensation reserve			431			250
Hedging and revaluation reserves			12			3
Exchange reserve			(249)			(181)
Designated reserves			628			587
Reserve relating to written put options to non-controlling interests			(369)			(369)
Retained earnings			14,315			14,204
Equity attributable to shareholders of HKEX			45,879			44,173
Non-controlling interests			324			328
Total equity			46,203			44,501
Total liabilities and equity			315,701			279,051
Net current assets			26,247			24,258

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 2019.

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

In 2020, the Group has adopted the following amendments to HKFRSs which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
Amendments to HKFRS 3	Business Combination: Definition of a Business

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

The financial information relating to the year ended 31 December 2019 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 2019 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, 11 November 2020

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