

2021 Q3 Results Media Briefing

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HKEX
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Where this document refers to Bond Connect, please note that currently, access to northbound trading is only available to foreign investors that are able to trade onshore bonds on the China Foreign Exchange Trade System & National Interbank Funding Centre.

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Agenda

01 | Q3 2021 Key Highlights

02 | HKEX Group Financial Review

03 | Business and Strategic Update

04 | Appendix



Q3 2021 key highlights

1 | Financial Performance

- Record nine-month revenue and other income of HK\$16.2bn (+15%YoY) with core business revenue up by 14%YoY, driven by record Headline ADT
- Record nine-month Stock Connect revenue and other income of HK\$2.1bn (+55%YoY)
- Profit attributable to shareholders at record nine-month high of HK\$9.9bn (+15%YoY)

2 | Business and Strategy

- Good performance set against volatile macro backdrop
- Robust IPO market – #4 globally by IPO funds raised (HK\$285.9bn, nine-month record high); Record IPO pipeline
- Strong Connect scheme performance – record high ADT across all platforms
- MSCI China A 50 Connect Index Futures launched, providing international investors with a new risk management tool to manage their China exposure
- SPAC consultation paper published for new listing route in Hong Kong
- Continued market microstructure, technology enhancements and product launches
- MOU with HKSTP signed giving HKEX access to HKSTP's deep pool of biotech industry experts, supporting our biotech listing applications process



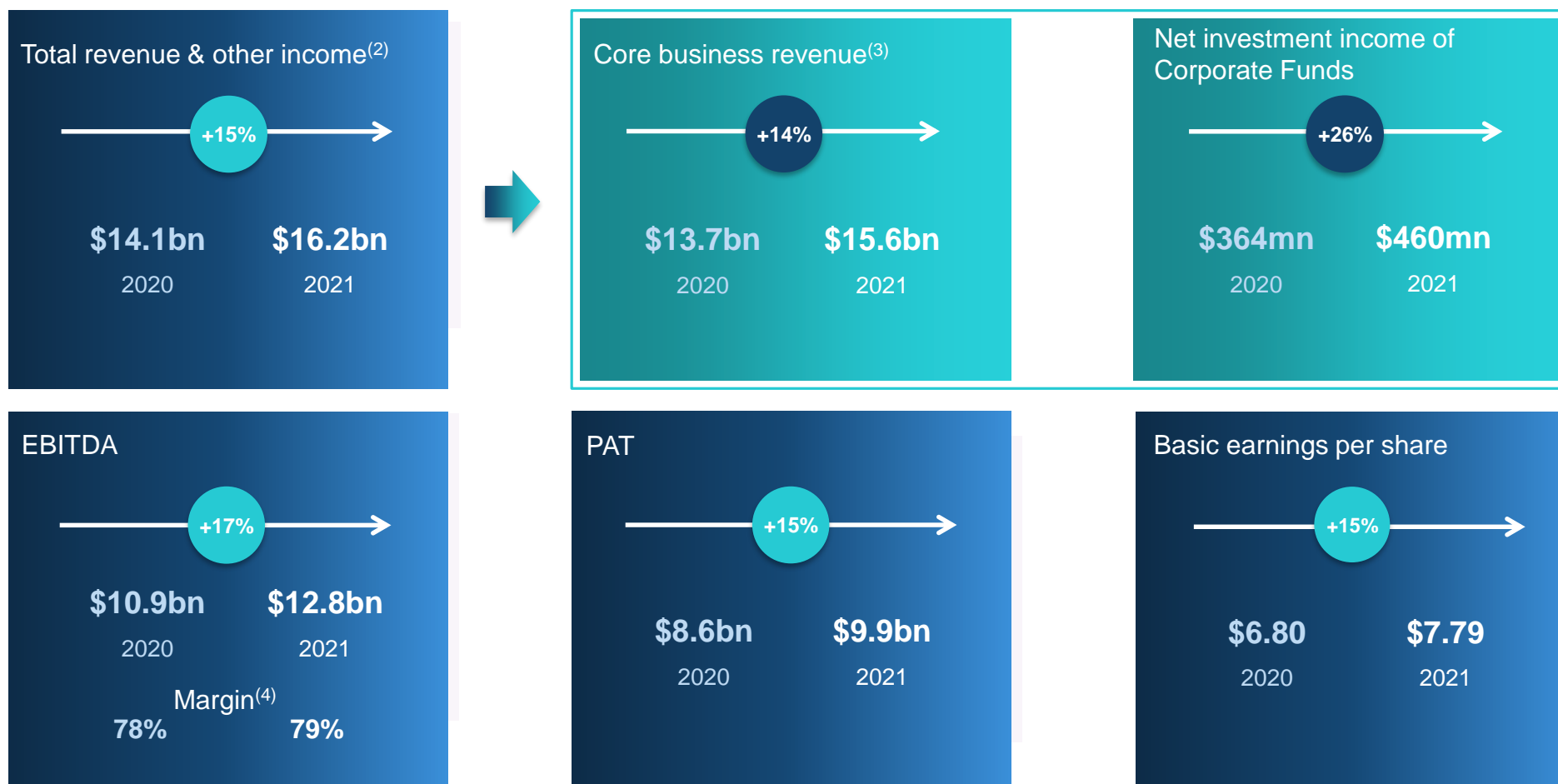
HKEX Group Financial Review



YTD Q3 2021 vs YTD Q3 2020

Record financial results with revenue and profit up 15%

(HK\$)



1. All percentage changes are computed based on amounts reported in financial statements.

2. Represents gross revenue and other income before deducting transaction-related expenses (YTD Q3 2020: \$70mn; YTD Q3 2021: \$118mn)

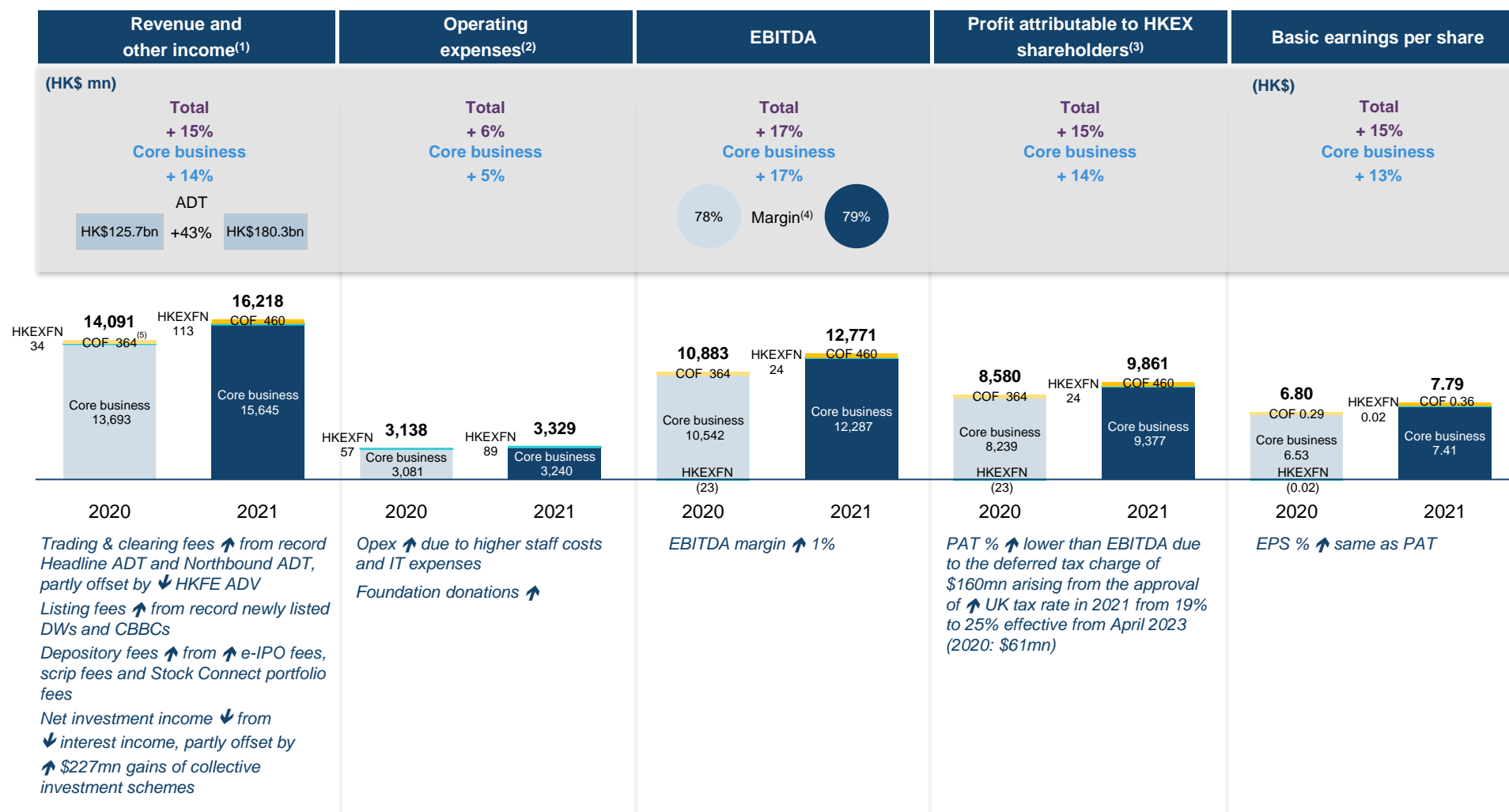
3. Core business revenue represents total revenue and other income, excluding net investment income of Corporate Funds and HKEX Foundation (HKEXFN) donation income (YTD Q3 2020: \$34mn; YTD Q3 2021: \$113mn).

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



YTD Q3 2021 vs YTD Q3 2020

Record revenue and profit driven by record Headline ADT and Stock Connect volumes

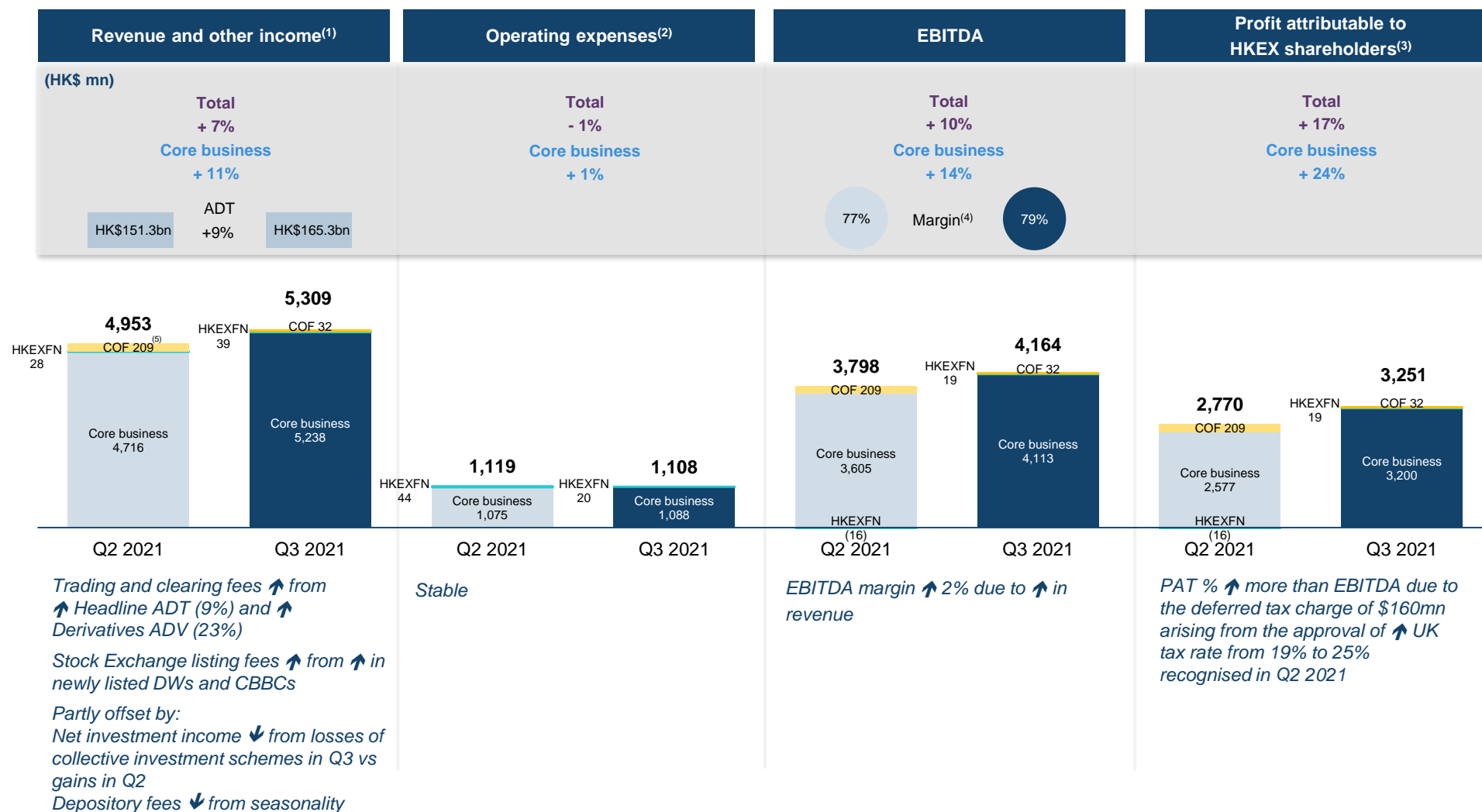


1. Represents gross revenue and other income before deducting transaction-related expenses (YTD Q3 2020: \$70mn; YTD Q3 2021: \$118mn)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact of COF is not considered when calculating the PAT attributable to COF.
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.
5. COF represents net investment income of Corporate Funds.



Q3 2021 vs Q2 2021

Strong quarter on quarter performance with Q3 PAT 17% higher than Q2

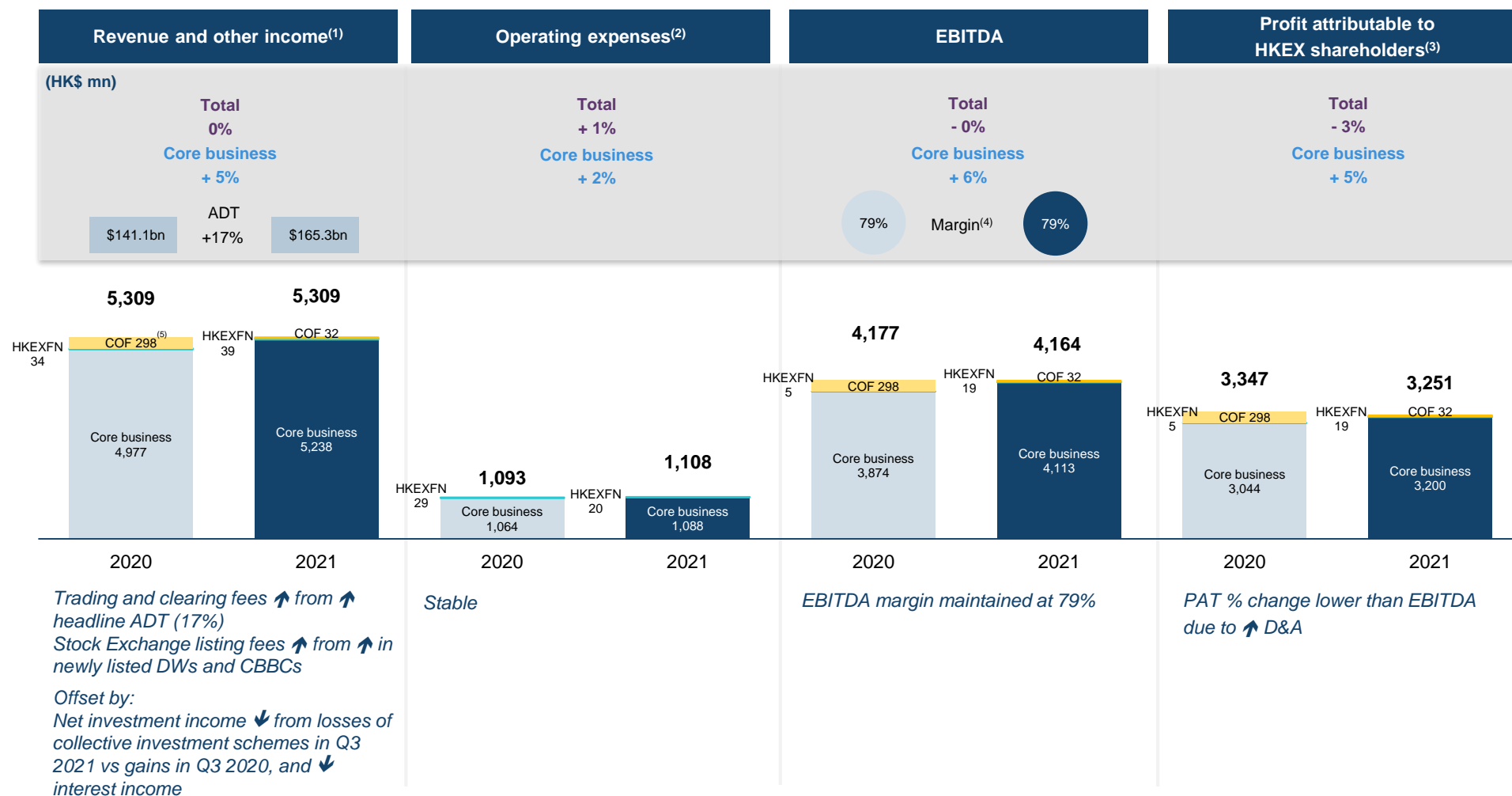


- Represents gross revenue and other income before deducting transaction-related expenses (Q2 2021: HK\$36mn; Q3 2021: HK\$37mn)
- Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures
- For the purpose of this presentation, tax impact of COF is not considered when calculating the PAT attributable to COF.
- EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.
- COF represents net investment income of Corporate Funds.



Q3 2021 vs Q3 2020

PAT 3% lower than 2020 as higher revenue from higher ADT was offset by lower investment income

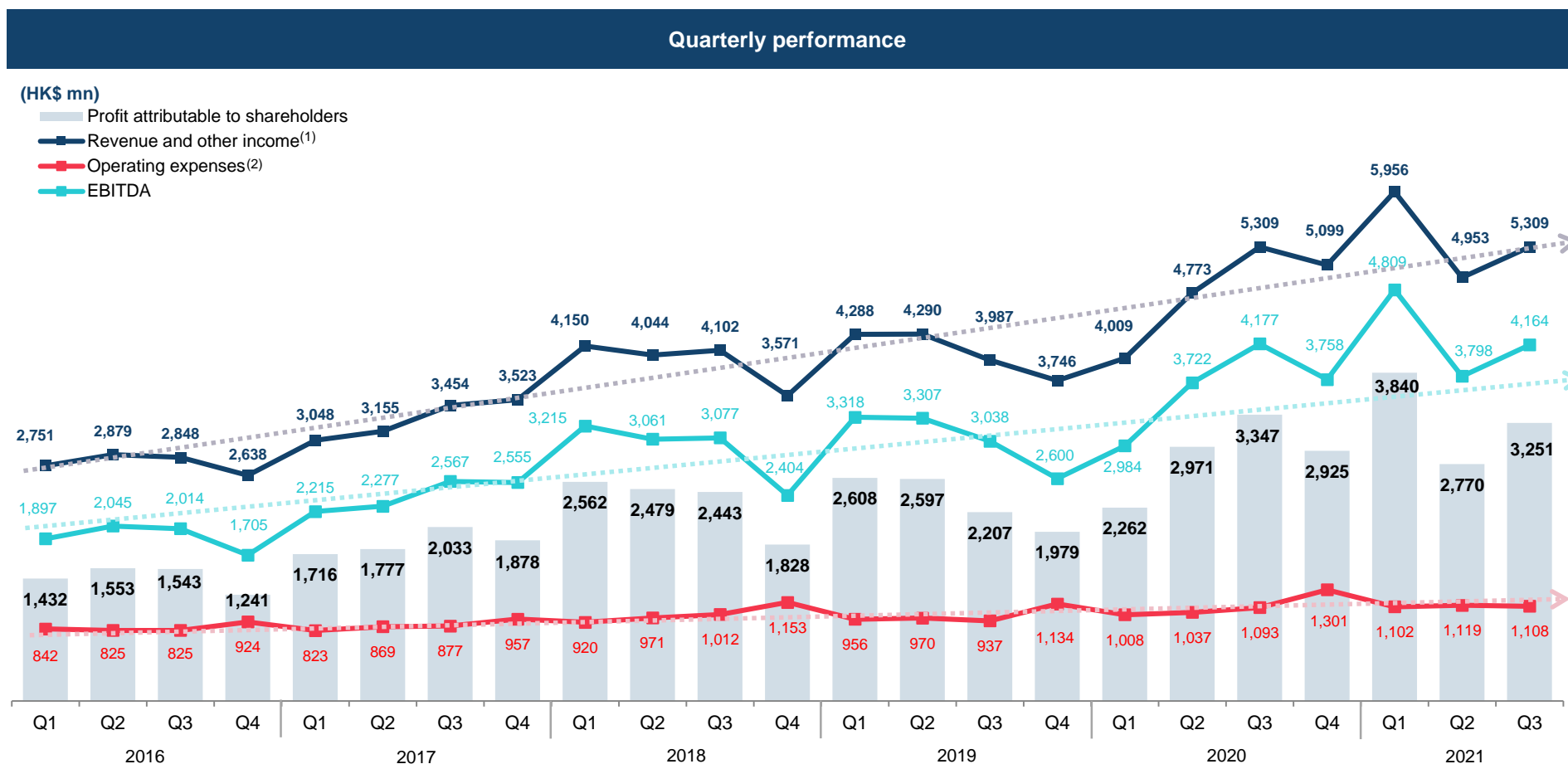


1. Represents gross revenue and other income before deducting transaction-related expenses (Q3 2020: \$39mn; Q3 2021: \$37mn)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures
3. For the purpose of this presentation, tax impact of COF is not considered when calculating the PAT attributable to COF.
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.
5. COF represents net investment income of Corporate Funds.



Quarterly performance

Q3 performance in line with the long term trend



YTD Q3 2021 results reached record nine-month high, driven by exceptionally buoyant volumes in Q1

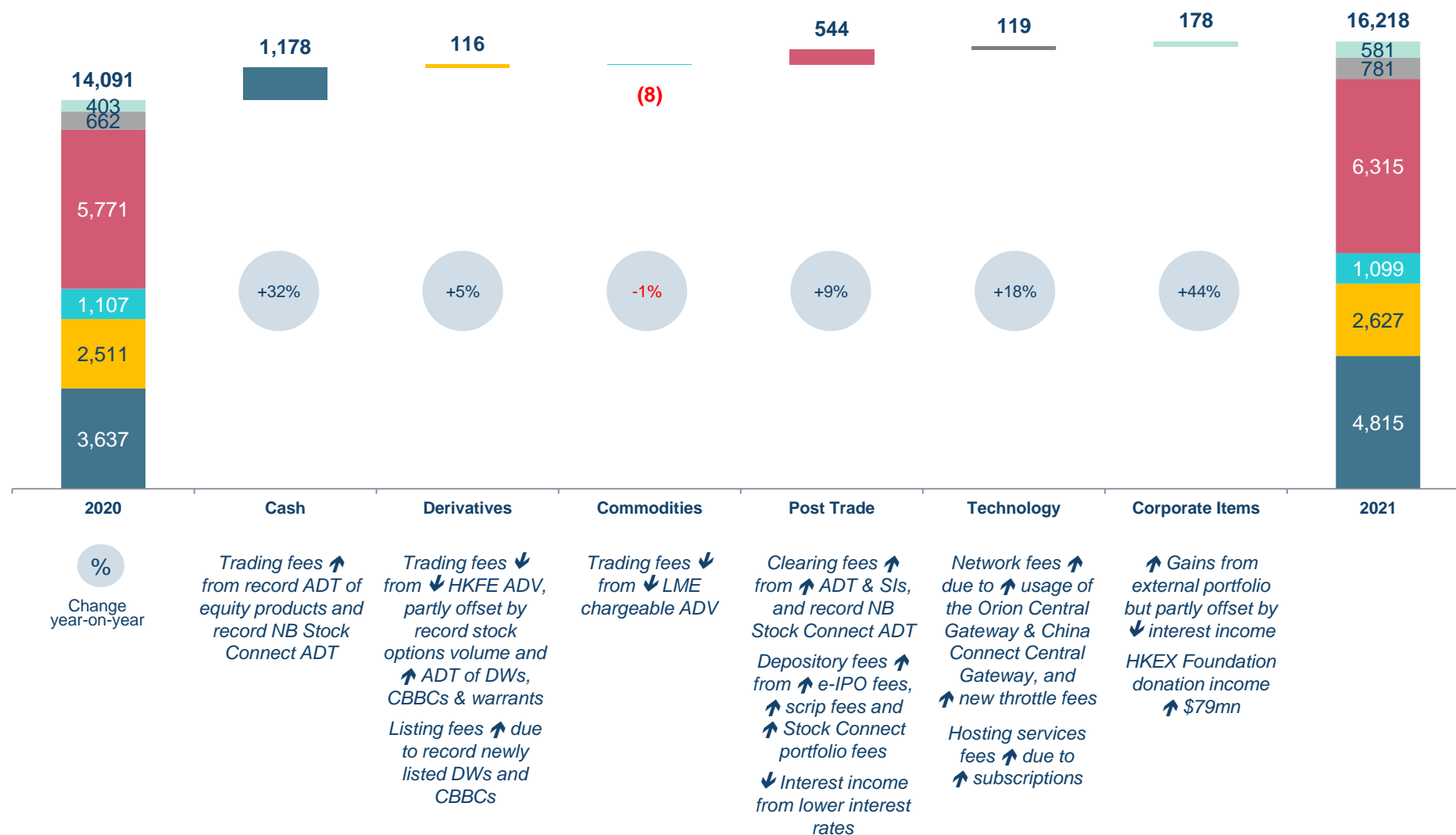
1. Represents gross revenue and other income before deducting transaction-related expenses
2. Operating expenses exclude transaction-related expenses, depreciation and amortisation, finance costs, share of results of joint ventures, and certain exceptional costs.
3. Dotted trend lines are illustrative and do not constitute a forward forecast.



Segmental revenue – YTD Q3 2021 vs YTD Q3 2020

Higher revenues driven by strong Cash and Post Trade segments

(HK\$ mn)



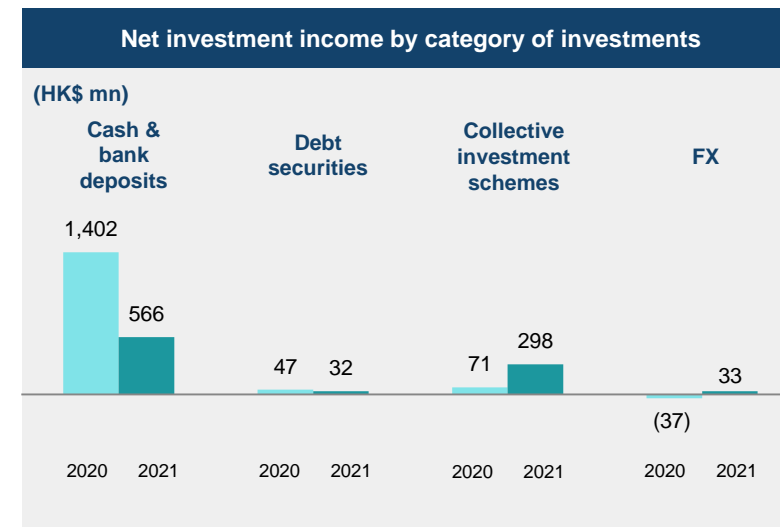
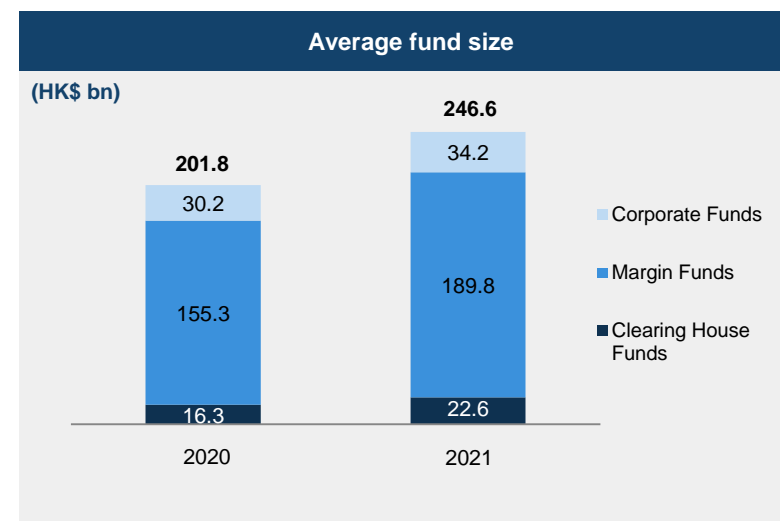
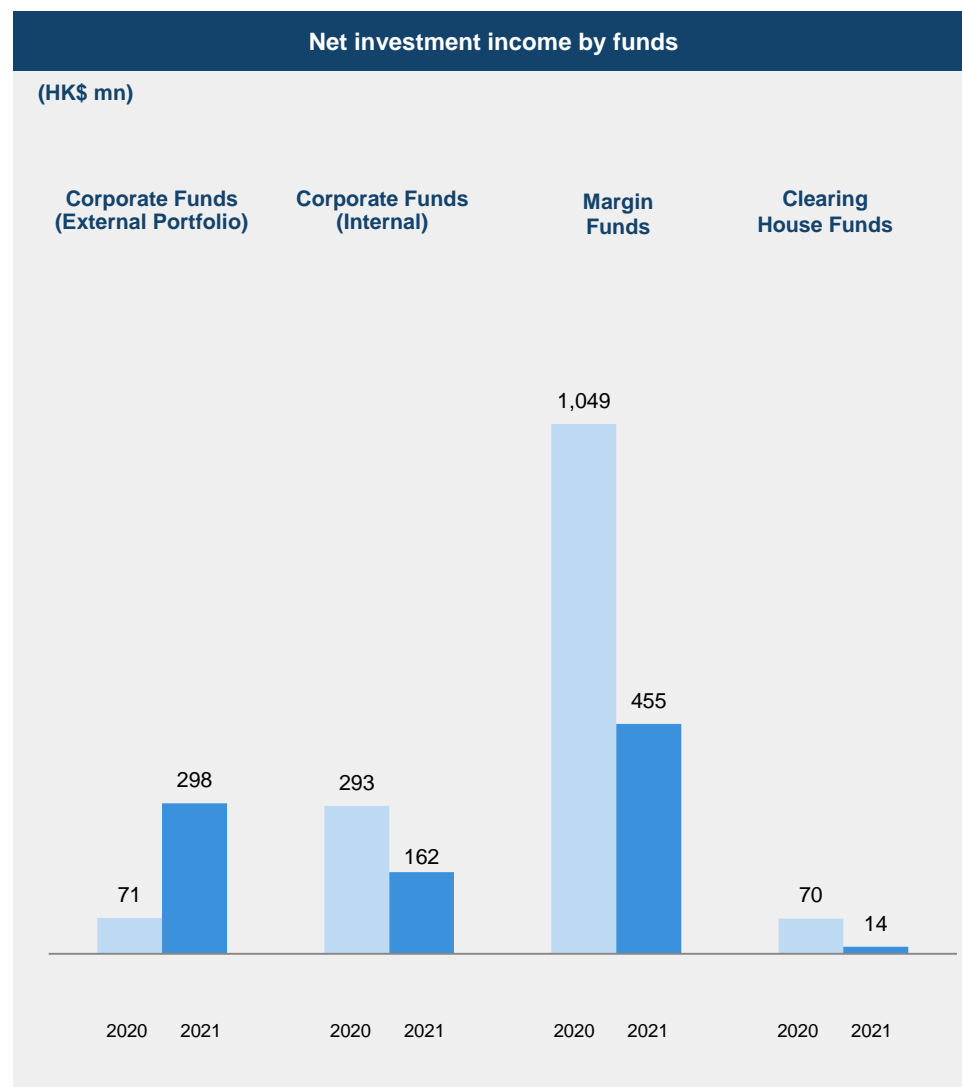
- Headline ADT up 43% (YTD Q3 2020: \$125.7bn; YTD Q3 2021: \$180.3bn); ADT of equity products included under Cash segment up 49% (YTD Q3 2020: \$106.8bn; YTD Q3 2021: \$159.6bn); ADT of DWs, CBBCs and warrants included under Equity and Financial Derivatives segment up 10% (YTD Q3 2020: \$18.9bn; YTD Q3 2021: \$20.7bn)



Net investment income – YTD Q3 2021 vs YTD Q3 2020

Net investment income impacted by low interest rate environment

2021: \$929mn (2020: \$1,483mn)

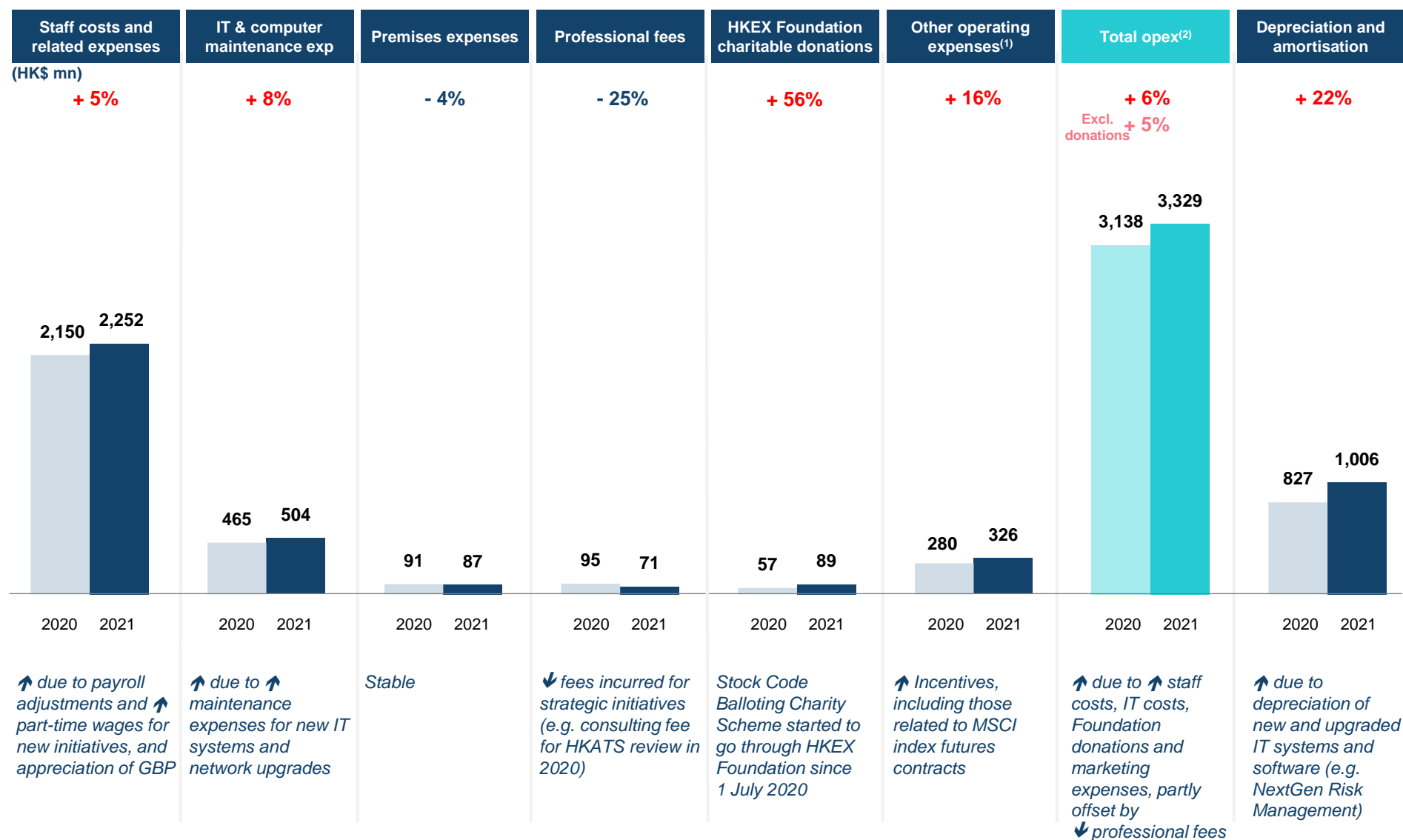


Lower investment income due to reduced interest rates, partly offset by higher fair value gains from external portfolio



Operating expenses – YTD Q3 2021 vs YTD Q3 2020

Continued investments in talent and infrastructure



1. Includes product marketing and promotion expenses

2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures



Business and Strategic Update



1 | Strong performance, from resilient business

Robust core business performance

- Cash Market ADT +43%YoY at HK\$180.3bn (a record nine-month high)
- Futures & Options ADV +4%YoY
- LME chargeable ADV -8%YoY

Strong momentum in IPO market

- #4 by IPO funds raised YTD Q3 (HK\$285.9bn, a record nine-month high), with 87% contributed by new economy and biotech companies
- 73 new company listings included 12 biotech company listings, 4 secondary listings and 5 listings with WVR structure
- Welcomed the first two dual primary listings with WVR structure in Q3

Nine-month record highs across all Connect Schemes

- Stock Connect: Record revenue of HK\$2.1bn (+55%YoY); Northbound ADT of RMB123.2bn (+37%YoY) and Southbound ADT of HK\$46.2bn (+99%YoY)
- Bond Connect: Northbound ADT of RMB26.2bn (+33%YoY)



2 | Q3 2021 strategic highlights (1/2)

Enhancing our market attractiveness

- Published consultation paper on proposals to **create a SPAC listing regime in Hong Kong**
- **Implemented multiple enhancements to Bond Connect**, including 3rd trading platform for Northbound (MarketAxess); more choices for FX risk management (CNYPlus); along with the **launch of Southbound Bond Connect**
- **Revised opening and closing time for 3 MSCI Taiwan Index Futures and Options contracts** to align trading hours with the underlying cash market
- Published information paper on **Hong Kong investor identification regime (HKIDR)**, expected to be launched in 2H 2022
- Launched Familiarisation Programme for phased introduction of **Value at Risk Platform**

Broadening our product ecosystem

- **MSCI China A 50 Connect Index Futures launched on 18th Oct**, providing international investors with a new and effective risk management tool for their China exposure
- Physically settled **Options on Futures for HSIF and HSCEIF**
- Other initiatives: 5 new **thematic ETFs**; 6 new **cash settled futures** in LME



2 | Q3 2021 strategic highlights (2/2)

Modernising our operations and infrastructure

- **Confirmed FINI to launch** in Q4 2022; reducing the IPO settlement cycle from T+5 to T+2
- **Signed an MOU with HKSTP** which allows us to gain access to HKSTP's deep pool of biotech industry experts to assist in our review of biotech listing applications, and to explore new biotech and fintech initiatives
- **Completed upgrades to multiple core trading systems** and relocation of secondary data centre

Embedding sustainability within our business and markets

- **78 sustainable-focused products were displayed on STAGE** as at end of Q3 2021. There were 73 green / ESG-related bond listings which have raised a total of HK\$192.5bn (vs 15 listings raising HK\$58.5bn in YTD Q3 2020)
- **LME launched LMEpassport**, an online service and centralised digital register helping participants meet the LME's responsible sourcing requirements
- **LME confirmed collaboration with Metalshub to establish an online base metals spot trading platform starting with low carbon aluminium** early next year, to help further its sustainability agenda
- HKEX Foundation launched new **HKEX Impact Funding Scheme**



3 | Comprehensive China A-share ecosystem now in place

Diverse Product Ecosystem



Better Price Discovery



Risk Management / Hedging



Arbitrage



Stock Connect

A unique collaboration between Hong Kong and Mainland stock exchanges, Stock Connect is the **gateway for international investors to access China A-shares.**

China A-share ETFs

Hong Kong offers a broad cost-effective suite of ETFs for investors to **capture China opportunities.**

MSCI China A 50 Connect Index

Based on Stock Connect and representative of China's economy, the flagship MSCI China A 50 Connect (USD) Index Futures provide a new **risk management tool for broad-based equity exposure to China.**

USD/CNH Futures and Options

HKEX's USD/CNH futures are the world's first deliverable RMB futures to be quoted, margined, and settled in RMB, **providing greater capital efficiency and flexibility for managing exposure to offshore RMB.**



3 | HKEX's equity derivatives suite now provides broad coverage of Asian underlying



Looking ahead

- **HKEX had record nine-month ADT in 2021** with an exceptionally buoyant Q1, while trading volumes in Q2 and Q3 returned to similar levels as 2H 2020
- **Stock Connect continues to perform well and provides a strong revenue stream:** record nine-month revenue with robust volume; China's economic growth and the newly launched MSCI A share derivatives will continue to support liquidity, but market sentiment could be affected by recent regulatory environment
- **Strong IPO pipeline** supported by demand from Chinese companies seeking homecoming listings
- **The newly launched MSCI A share derivatives product expands HKEX's product portfolio** providing investors with a broad suite of products to access and trade the Mainland; appropriate incentives and market microstructure enhancement will help drive liquidity
- **Low interest rate environment will continue to impact investment income**, while pace of macroeconomic recovery, tightening of monetary policy and political uncertainty could also impact returns on the external investment portfolio
- **Continued focus on strong execution of strategy, good cost discipline, investment in technology, talent and risk management and customer-centricity** will ensure we are well placed for the opportunities and challenges ahead



YTD Q3 2021 Financial Performance (vs. YTD Q3 2020)

- Record nine-month revenue and PAT
- Core business revenue up 14%; Total revenue and other income up 15% to HK\$16.2bn
- Record nine-month revenue for Connect Schemes
- Record nine-month high for IPO funds raised
- EBITDA up 17% to HK\$12.8bn
- PAT up 15% to HK\$9.9bn
- EPS up 15% to HK\$7.79

... Welcome questions

Q&A Session begins now



Appendix



Financial highlights – Income Statement

(HK\$ mn, unless stated otherwise)	YTD Q3 2021	% of Revenue & Other Income	YTD Q3 2020	% of Revenue & Other Income	YoY Change
Results					
Revenue and other income	16,218	100%	14,091	100%	15%
Less: Transaction-related expenses	(118)	(1%)	(70)	(0%)	69%
Revenue and other income less transaction-related expenses	16,100	99%	14,021	100%	15%
Operating expenses	(3,329)	(21%)	(3,138)	(22%)	6%
EBITDA	12,771	79%	10,883	77%	17%
Depreciation and amortisation	(1,006)	(6%)	(827)	(6%)	22%
Operating profit	11,765	73%	10,056	71%	17%
Finance costs and share of results of joint ventures	(58)	(0%)	(85)	(1%)	(32%)
Profit before taxation	11,707	72%	9,971	71%	17%
Taxation	(1,880)	(12%)	(1,398)	(10%)	34%
Loss attributable to non-controlling interests	34	0%	7	0%	386%
Profit attributable to HKEX shareholders	9,861	61%	8,580	61%	15%
Capex	723		845		(14%)
Basic earnings per share	HK\$7.79		HK\$6.80		15%
Headline ADT on the Stock Exchange	HK\$180.3 bn		HK\$125.7 bn		43%

1. % does not add up due to roundings.



Performance by operating segment

HK\$ mn	Cash	Derivatives	Commodities	Post Trade	Technology	Corporate Items	Group YTD Q3 2021	Group YTD Q3 2020
Revenue and other income	4,815	2,627	1,099	6,315	781	581	16,218	14,091
<i>% of Group Total</i>	<i>30%</i>	<i>16%</i>	<i>7%</i>	<i>39%</i>	<i>5%</i>	<i>3%</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	-	(95)	-	(23)	-	-	(118)	(70)
Revenue and other income less transaction-related expenses	4,815	2,532	1,099	6,292	781	581	16,100	14,021
Operating expenses	(458)	(505)	(485)	(659)	(228)	(994)	(3,329)	(3,138)
EBITDA	4,357	2,027	614	5,633	553	(413)	12,771	10,883
<i>% of Group Total</i>	<i>34%</i>	<i>16%</i>	<i>5%</i>	<i>44%</i>	<i>4%</i>	<i>(3%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin⁽¹⁾</i>	<i>90%</i>	<i>80%</i>	<i>56%</i>	<i>90%</i>	<i>71%</i>	<i>N/A</i>	<i>79%</i>	<i>78%</i>
Depreciation and amortisation							(1,006)	(827)
Finance costs							(116)	(139)
Share of results of joint ventures							58	54
Profit before taxation							11,707	9,971

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

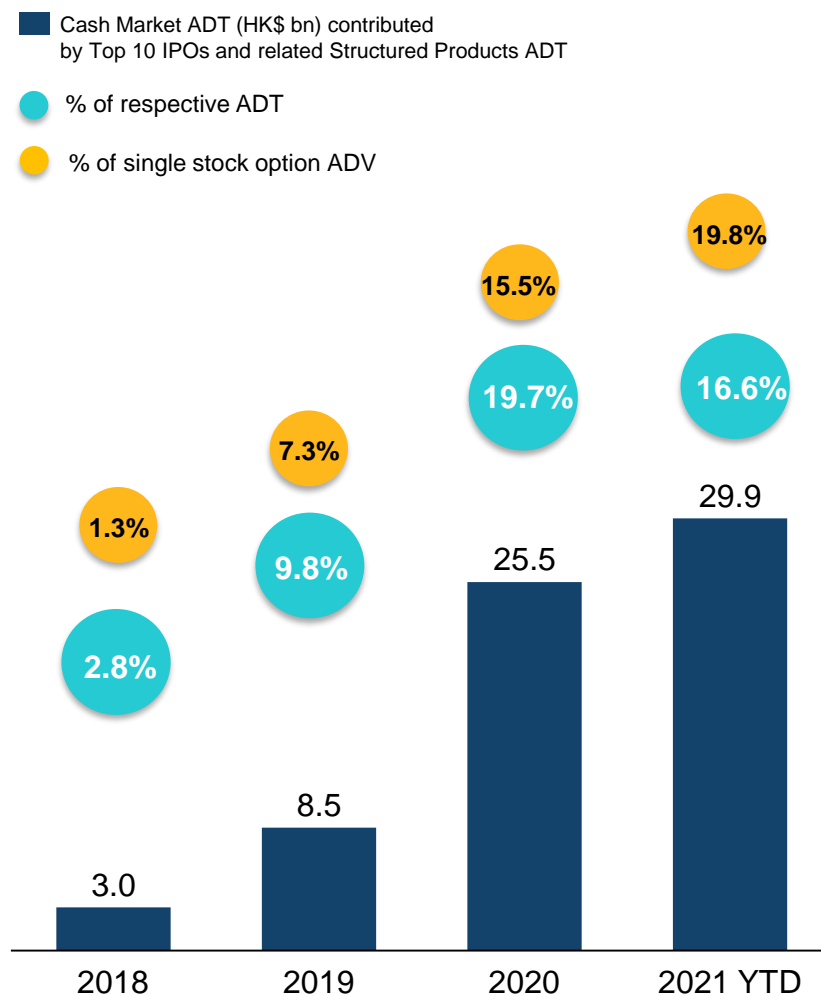


Top 10 IPOs contributing to increased trading activity

Top 10 IPOs since Jan 2018

Rank	Stock Name	IPO date	IPO size (HK\$bn)
1	BABA - SW	26/11/2019	101.20
2	CHINA TOWER - H	08/08/2018	58.80
3	KUAISHOU - W	05/02/2021	48.30
4	BUD APAC	30/09/2019	45.08
5	XIAOMI - W	09/07/2018	42.61
6	JD - SW	18/06/2020	34.56
7	MEITUAN - W	20/09/2018	33.14
8	JD HEALTH	08/12/2020	31.00
9	JD LOGISTICS	28/05/2021	28.27
10	NTES - S	11/06/2020	24.26

Rising contribution to volumes from Top 10 IPOs

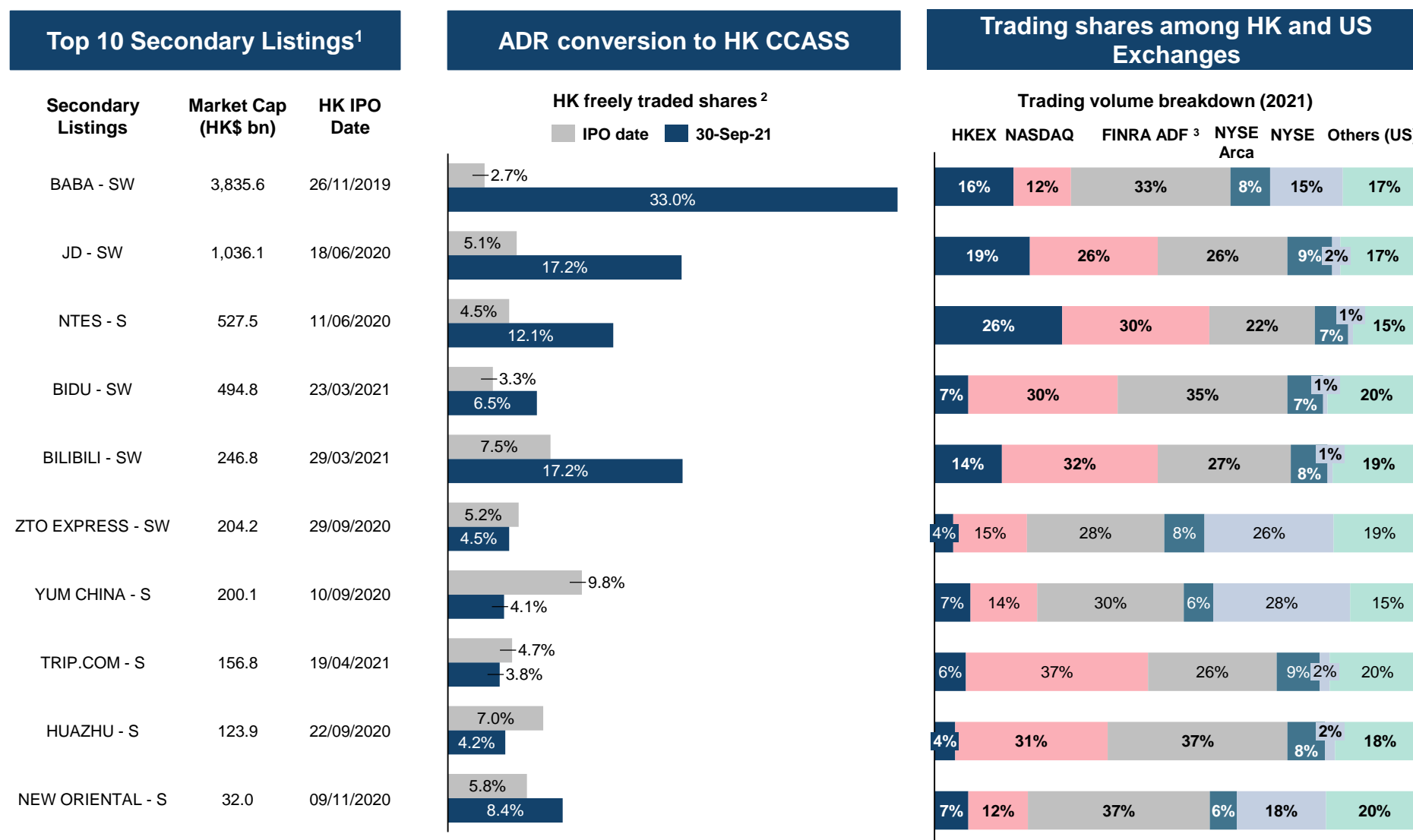


As of Sep 2021, 17% of cash ADT and 20% of single stock option ADV were contributed by the top 10 IPOs since 2018

Source: HKEX, as of Sep 2021. S – Secondary listings; W – Weighted Voting Rights; H – H shares



Continuous ADR conversion and trading migration from secondary listings



Source: HKEX, FactSet, as of 30 Sep 2021

1. Ranked by market cap (Total: 14 as of 30 Sep 2021)

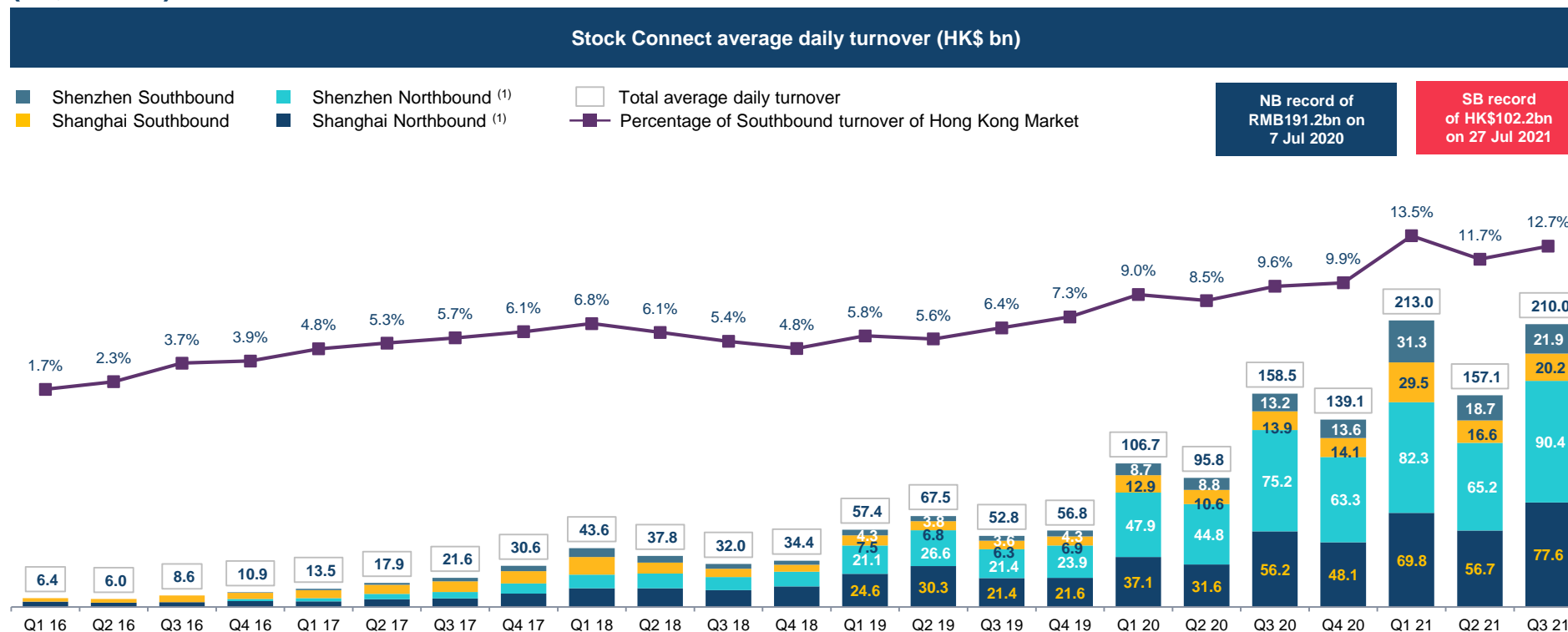
2. Based on total CCASS balance deducting the balance of main custodian bank as reference

3. FINRA ADF is an equity trading facility created by a self-regulatory organization FINRA. The ADF provides members with a facility for the display of quotations, the reporting of trades, and the comparison of trades such as dark pool trading.



Stock Connect – trading trends

Stock Connect generated record revenue of \$2,094mn in YTD Q3 2021, 55% higher than YTD Q3 2020 (\$1,354mn)



Stock Connect Northbound and Southbound Trading ADT reached RMB123.2bn and \$46.2bn respectively in YTD Q3 2021

**Stock Connect revenue continued to set record highs,
reaching 13% of the Group's total revenue and other income in YTD Q3 2021 (FY 2020: 10%)**

Source: HKEX, SSE and SZSE data

1. Northbound (NB) trading is conducted in RMB; the NB figures in the chart are converted to HKD based on the month-end exchange rate.

2. May not add up due to roundings



A nighttime photograph of a city street with light trails from cars, a pedestrian bridge, and tall buildings in the background. The image has a blue tint.

Thank you.

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