



2022 Interim Results Media Briefing

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HKEX
香港交易所

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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 | 1H 2022 Key Highlights
- 02 | HKEX Group Financial Review
- 03 | Business and Strategic Update
- 04 | Appendix

1H 2022 key highlights

Financial Performance

HK\$8.9bn

(-18%YoY)

Revenue and other income

HK\$1.2bn

(-10%YoY)

Stock Connect revenue
and other income

HK\$4.8bn

(-27%YoY)

Profit attributable to
shareholders

Business and Strategy

- **Resilient overall performance**, despite global economic and geopolitical fragility, market volatility, ongoing impact of the pandemic
- **Connect Programmes continued to perform well**
 - **Bond Connect ADT** reached **record half-yearly high**
 - **ETFs included in Stock Connect; Swap Connect** announced (both, July 2022)
 - **Enhancement to Stock Connect trading calendar** announced (Aug 2022)
- **Cash market softness** reflecting global market sentiment, ADT down 27% YoY on record 1H 2021
- **IPO pipeline remained robust with over 180 active applications** as at 30 Jun 2022
 - Zai Lab became first company to convert from a Main Board secondary to primary listing
- **Very good growth in derivatives traded on HKFE**, with **ADV +35% YoY** to 705k contracts
 - **MSCI China A 50 Connect Index Futures** performed well, with **ADV +72%** to 19,863 contracts*
 - **Derivatives Holiday Trading** launched
- **Diversification strategy delivering results**
 - **ETPs ADT +64% YoY; Data revenue +7% YoY; announced plans for new Carbon Market**
- **Continued investments in talent, technology, client centricity and risk management** supporting long term vision for the business

* against the ADV during the period since launch (18 Oct 2021) to 31 Dec 2021



HKEX Group Financial Review



1H 2022: Core business revenue down on record 1H 2021

Core business revenue⁽²⁾

1H 2022: HK\$9.3bn
(↓11% vs 1H 2021)

Q2 2022: HK\$4.5bn
(↓ 4% vs Q2 2021)

Revenue and other income⁽³⁾

1H 2022: HK\$8.9bn
(↓18% vs 1H 2021)

Q2 2022: HK\$4.2bn
(↓14% vs Q2 2021)

EBITDA

1H 2022: HK\$6.4bn
(↓26% vs 1H 2021)

Q2 2022: HK\$2.9bn
(↓23% vs Q2 2021)

PAT

1H 2022: HK\$4.8bn
(↓27% vs 1H 2021)

Q2 2022: HK\$2.2bn
(↓22% vs Q2 2021)

EPS

1H 2022: HK\$3.82
(↓27% vs 1H 2021)

Q2 2022: HK\$1.71
(↓22% vs Q2 2021)

DPS

1H 2022: HK\$3.45
(↓26% vs 1H 2021)

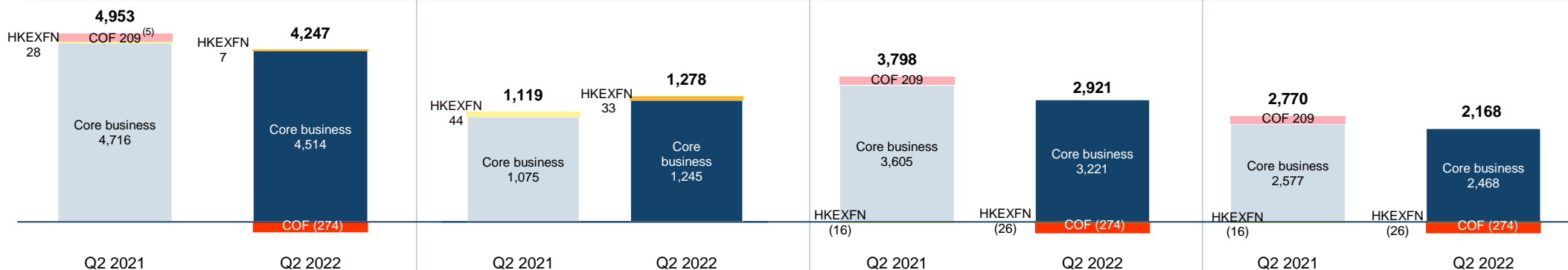
1. All percentage changes are computed based on amounts reported in financial statements
2. Core business revenue represents total revenue and other income, excluding net investment income/(loss) of Corporate Funds and HKEX Foundation (HKEXFN) donation income
3. Represents gross revenue and other income before deducting transaction-related expenses



Q2 2022 vs Q2 2021

Core business revenue down 4%, reflecting 14% lower Headline ADT, partly offset by higher investment income from Margin Funds

Revenue and other income ⁽¹⁾		Operating expenses ⁽²⁾		EBITDA		Profit attributable to HKEX shareholders ⁽³⁾	
(HK\$ mn)							
Total - 14%	Core business - 4%	Total + 14%	Core business + 16%	Total - 23%	Core business - 11%	Total - 22%	Core business - 4%
HK\$151.3bn	ADT - 14% HK\$129.7bn			77%	Margin ⁽⁴⁾ 70%		



Q2 2021 Q2 2022

Core business:
Trading and clearing fees ↓ from
↓ Headline ADT, partly offset by ↑ ADV of
derivatives market

Depository fees ↓ from ↓ e-IPO services
fees

Partly offset by:
Investment income from Margin funds and
Clearing House Funds ↑ from interest rate
hikes

COF:
COF ↓ due to fair value losses of external
portfolio (Q2 2022: HK\$322mn losses vs Q2
2021: HK\$162mn gains)

Q2 2021 Q2 2022

Staff costs ↑ due to payroll adjustments,
↑ recruitment costs

Professional fees ↑ from ↑ legal fees on
nickel incident

Q2 2021 Q2 2022

EBITDA margin ↓ 7%

Q2 2021 Q2 2022

Total PAT % ↓ similar to EBITDA

↓ Tax arising from one-off deferred tax
charge of \$160mn booked in 2021 was
offset by ↑ D&A from completion of a new
secondary data centre, new and upgraded
systems and software

1. Represents gross revenue and other income before deducting transaction-related expenses (Q2 2021: \$36m; Q2 2022: \$48m)
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/(loss) of Corporate Funds

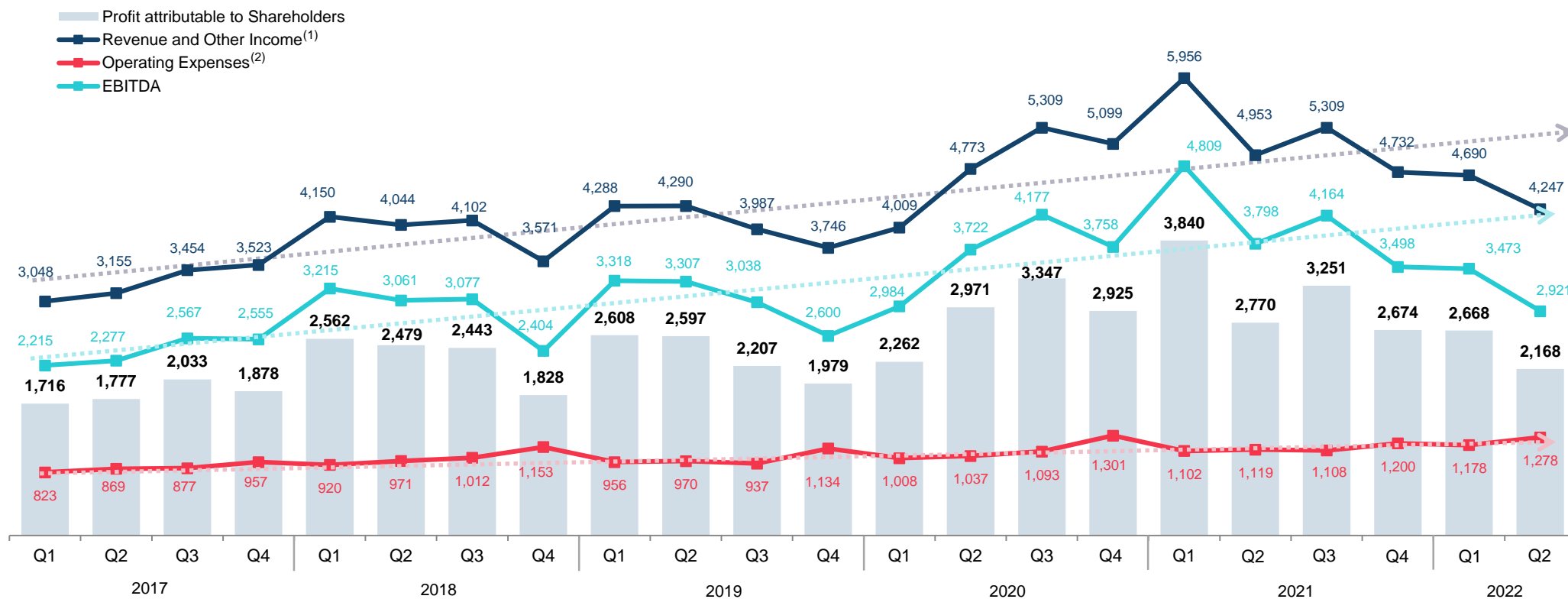


Quarterly performance

1H 2022 results returned to long-term normalised levels after the exceptionally buoyant Q1 2021

Quarterly performance

(HK\$ mn)



1. Represents gross revenue and other income before deducting transaction-related expenses
2. 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

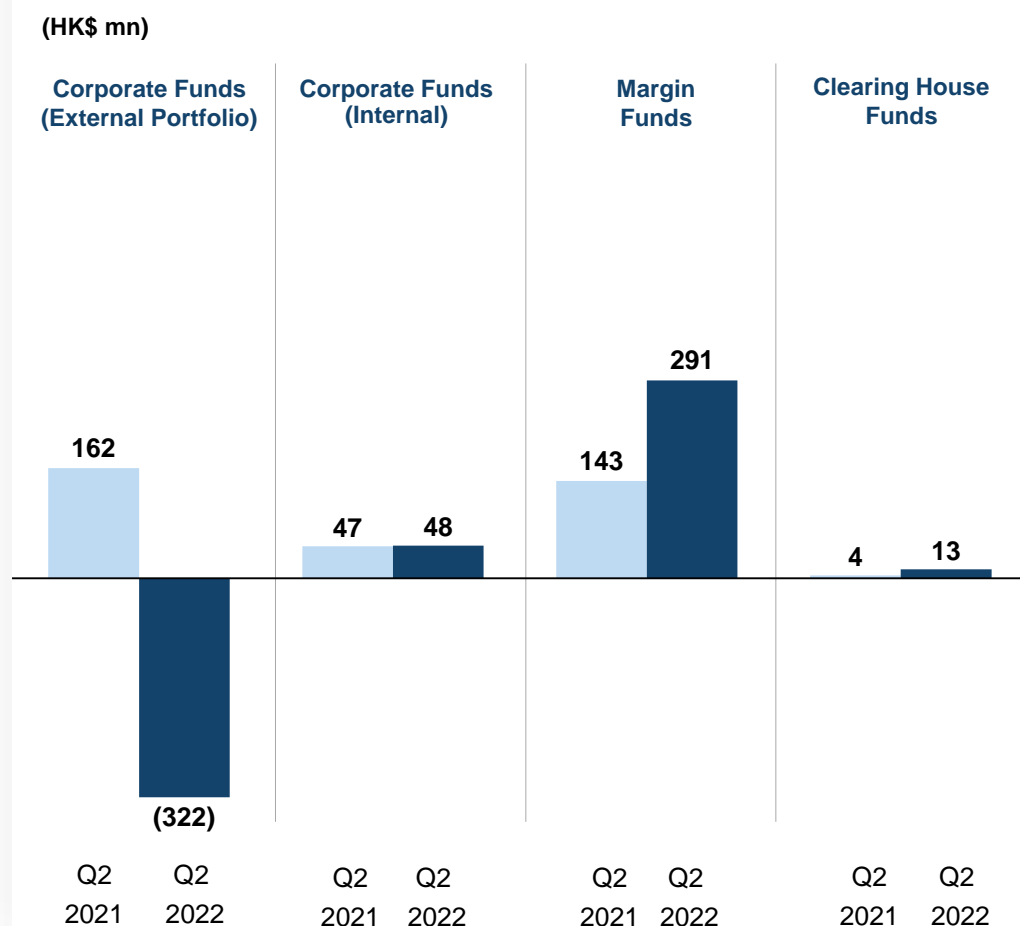


Net investment income – Q2 2022 vs Q2 2021

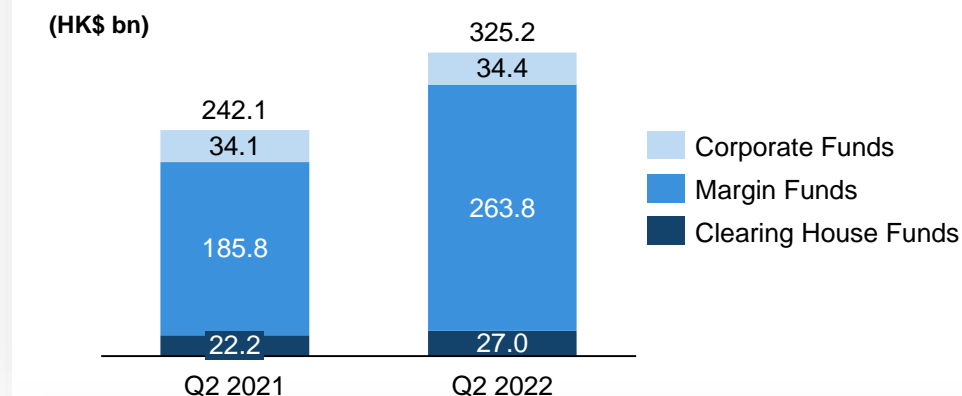
Net investment income impacted by market valuation

Q2 2022: HK\$30mn (Q2 2021: HK\$356mn)

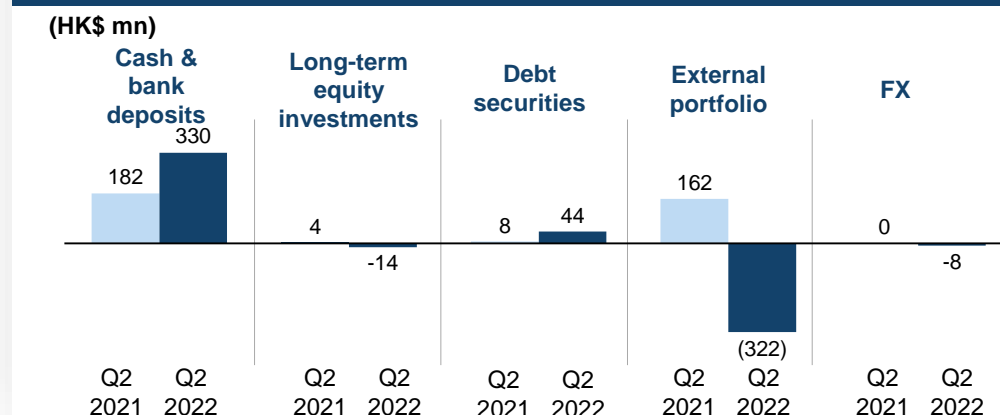
Net investment income by funds



Average fund size



Net investment income by category of investments

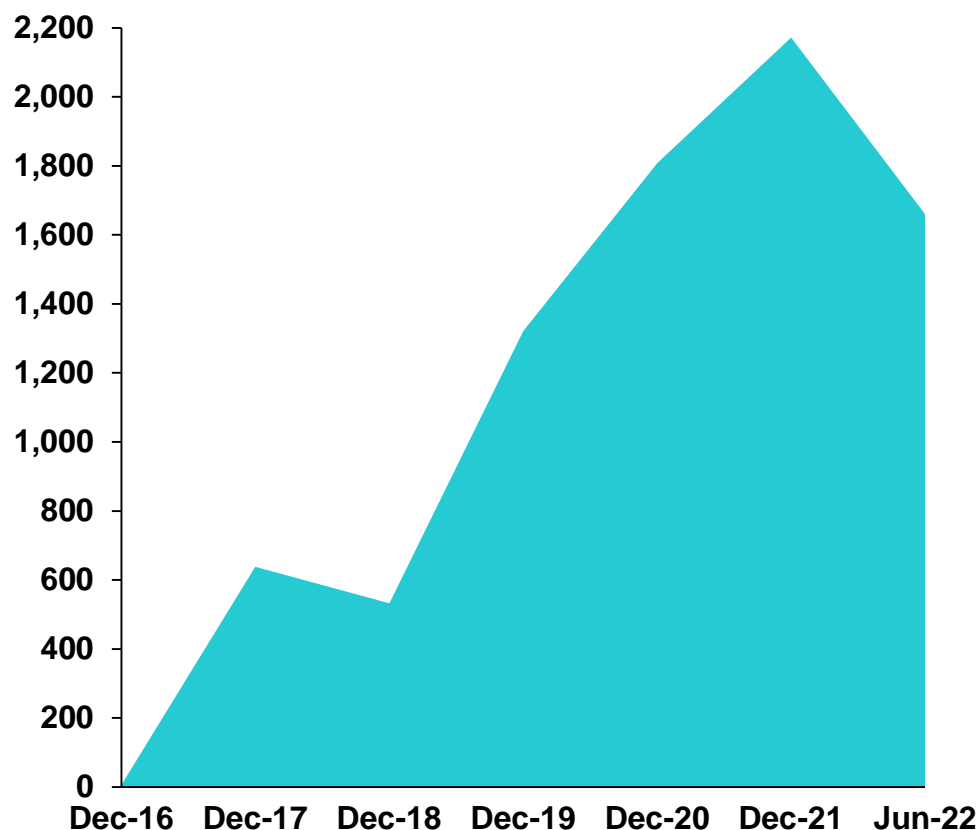


1. Financial figures on this slide are computed based on financial figures disclosed in Q1 and 1H results announcements.

2. Margin Funds and Clearing House Funds of LME Clear are mainly invested in overnight reverse repurchase investments, where high quality assets are held against such investments as collateral. In Hong Kong, Clearing House Funds are predominantly kept overnight or invested in Exchange Fund Bills issued by the Hong Kong Monetary Authority due to regulatory requirements. For Margin Funds, a certain proportion of the funds are kept overnight to meet withdrawal requests from Clearing Participants (approximately 30 per cent at 30 June 2022), a certain proportion is invested in long-term investment grade debt securities (approximately 4 per cent at 30 June 2022) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of seven months as at 30 June 2022).

Solid long-term performance since inception; ongoing de-risking to enhance downside protection

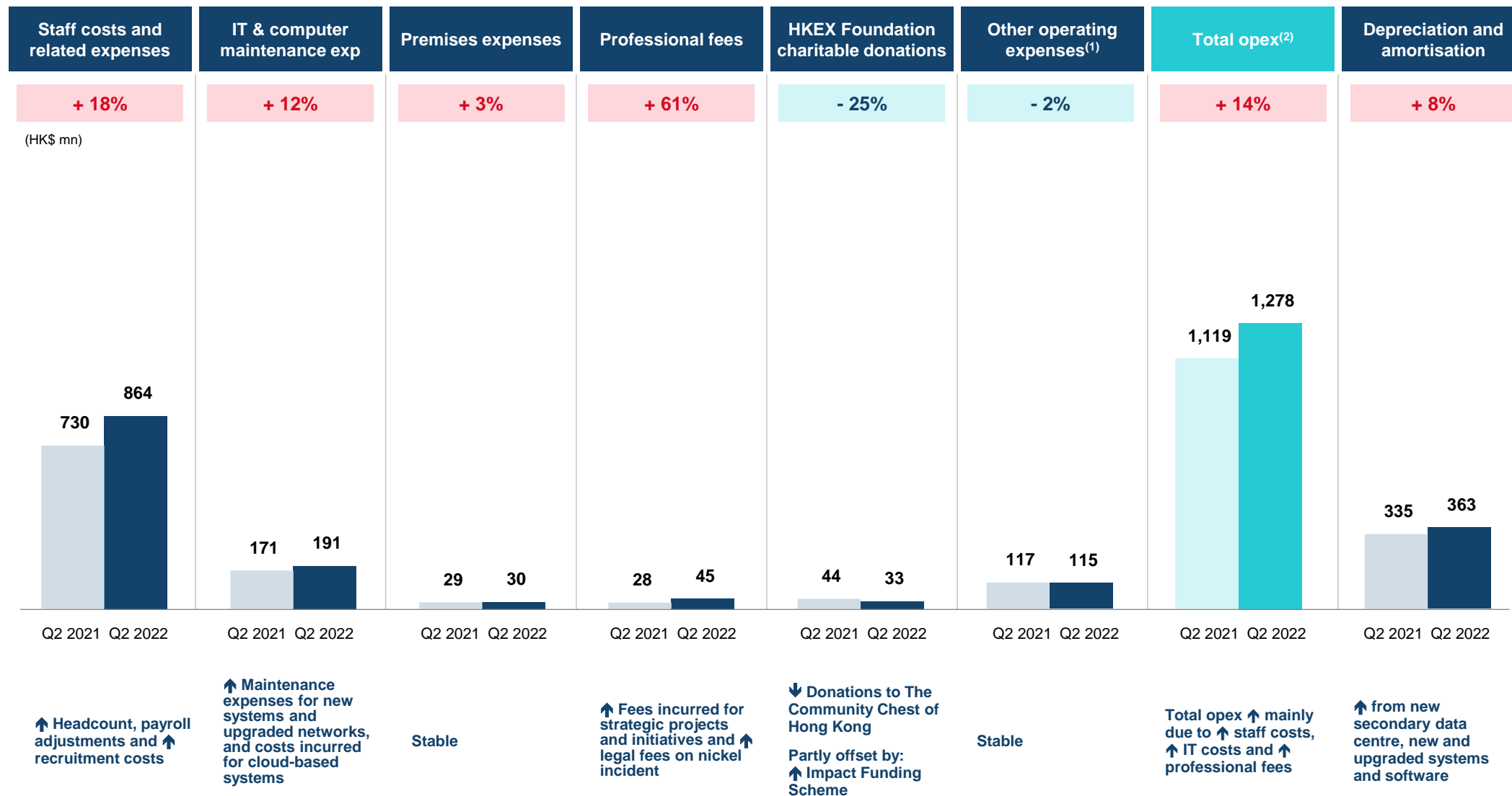
Cumulative P&L since inception (HK\$ mn)



- The external portfolio made a loss of HK\$511mn in 1H 2022 (-5.9% return)
- The cumulative gains of the portfolio since inception amounted to HK\$1.7bn (annualised return of 4.6% after the loss in 1H 2022)
- HK\$2bn will be redeemed in 2H 2022 (balance as of Jun 2022: HK\$8.3bn) to improve downside protection and reduce volatility on earnings

Operating expenses and depreciation & amortisation – Q2 2022 vs Q2 2021

Investments in talent, technology and strategic initiatives



1. Includes product marketing and promotion expenses

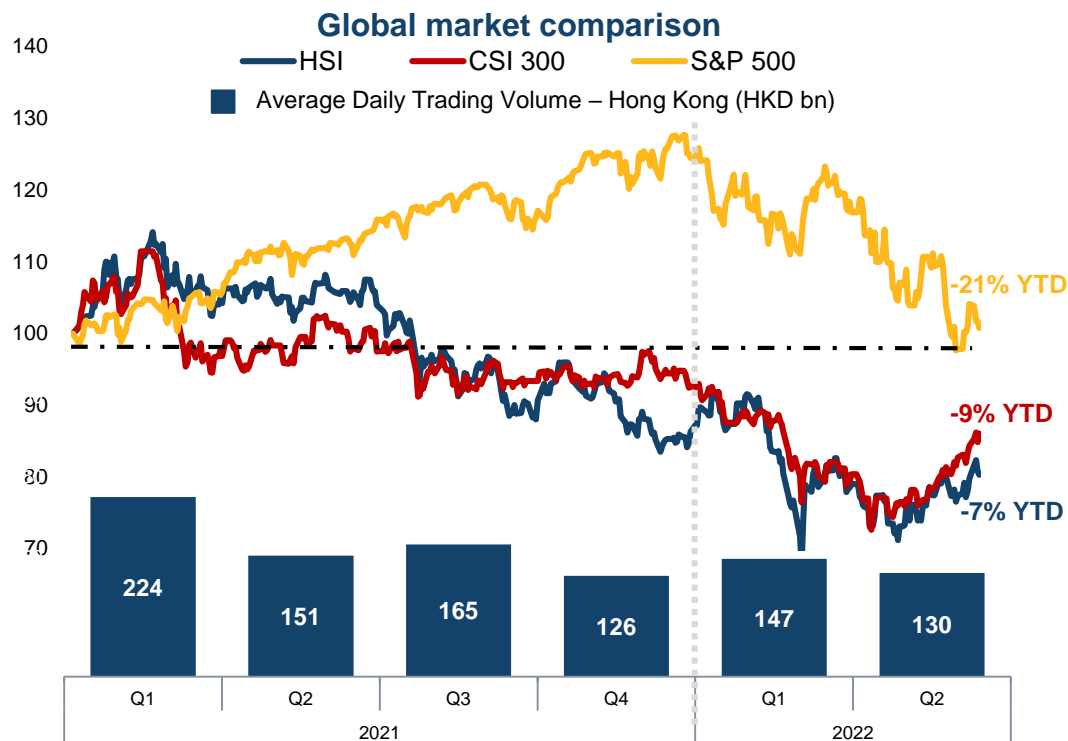
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures





Business and Strategic Update

Resilient 1H 2022 performance



Key market indicators (Q1 2021 – Q2 2022)						
	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22
Derivatives Market ADV ('000 contracts)	1,410.5	997.4	1,225.6	1,016.5	1,342.3	1,274.3
NB ADT (RMB bn)	126.8	101.0	139.3	110.9	105.9	101.8
LME ADV ('000 lots)	564	577	571	580	620	515
No. of IPOs	32	14	27	25	17	10
IPO funds raised (HKD bn)	136.6	75.1	74.2	45.4	14.9	4.9

Source: HKEX, Bloomberg



Diversification helped to mitigate lower cash market volumes

- Cash Market ADT at HK\$138.3bn (-27%YoY, Q2 2022: -11% QoQ), reflecting global economic and political fragility, market volatility and continued impact of the pandemic
- ADV of derivatives traded on HKFE: 705k (+35%YoY), driven by appetite for HSCEI Futures, HS Tech Index Futures and MSCI China A 50 Connect Index Futures

Connect programmes continued to perform well

- Stock Connect: Revenue of HK\$1.2bn (-10%YoY)
 - Northbound ADT RMB103.9bn (-9%YoY, Q2 2022: -4% QoQ)
 - Southbound ADT HK\$33.2bn (-31%YoY, Q2 2022: -13% QoQ)
- Bond Connect Northbound ADT: record half-yearly high RMB31.2bn (+17%YoY)

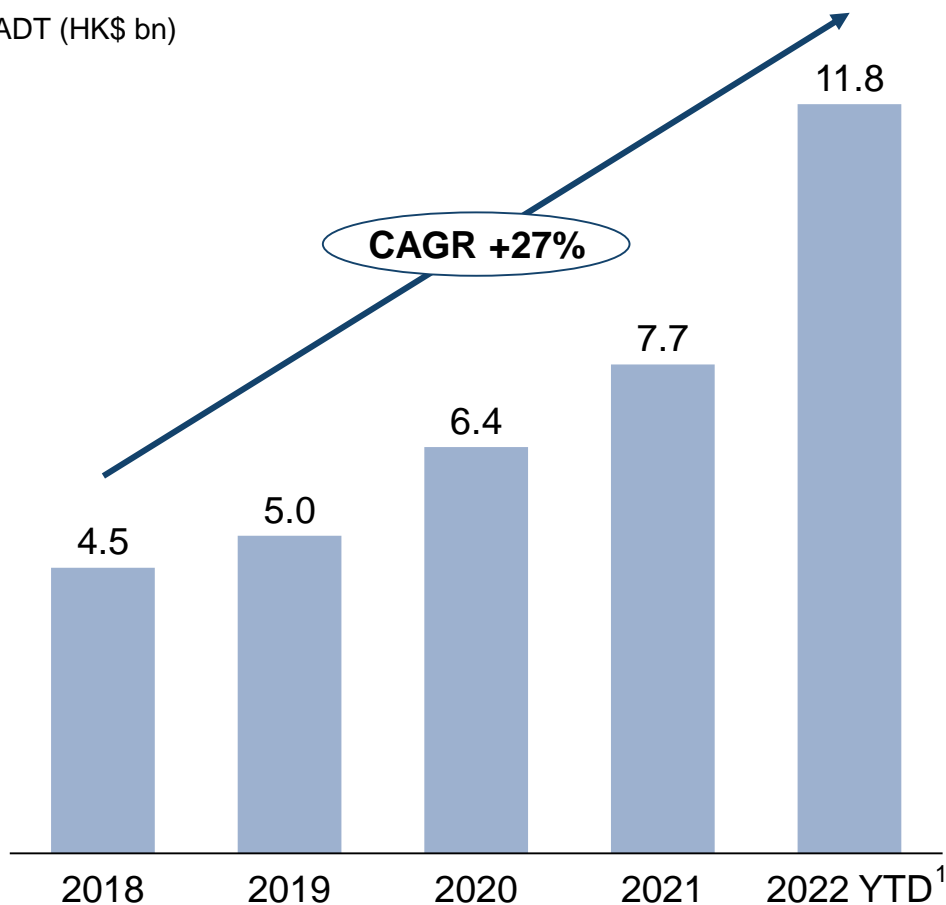
IPO market weakness reflecting global market sentiment; pipeline remains strong

- IPO funds raised HK\$19.7bn (-91%YoY), with 81% from New Economy and Biotech companies
- IPO pipeline remains strong with over 180 active applications as at 30 Jun 2022 (including 11 SPAC applications) and 16 newly listed companies in Jul 2022

ETF inclusion in Stock Connect will further support growing investor demand in HK and Mainland

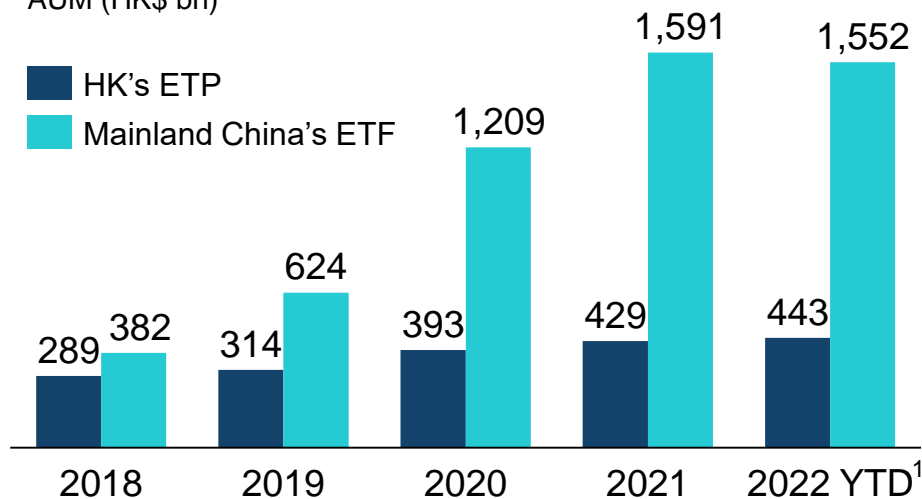
Enhanced market structure has led to strong growth in HK ETP market

ADT (HK\$ bn)



HK and Mainland's growing ETP markets expected to benefit further from ETF Connect

AUM (HK\$ bn)



	Southbound	Northbound
No. of eligible ETF	4	83
Total no. of ETF in local market ¹	133	670
Eligible ETF as a % of local market's ETF ADT ¹	~90%	~40%

Expansion in eligible ETF will provide potential for growth in HK and Mainland's ETP markets

Source: HKEX, ETFGI
¹ Data as of 30 Jun 2022



Delivery on strategic priorities


	Connecting China and the World	Connecting Capital with Opportunities	Connecting Today with Tomorrow
Focus areas	<ul style="list-style-type: none"> • Enhance “Connect” programmes • Become China’s go-to offshore risk management centre • Solidify role as China’s preferred offshore fund raising centre • Grow China-related products 	<ul style="list-style-type: none"> • Further build attractiveness of primary market • Enhance market structure • Expand product ecosystem • Grow client ecosystem 	<ul style="list-style-type: none"> • Modernise infrastructure • Evolve from infrastructure-led to client-led model • Develop strong digital capabilities • Leverage data
Delivery in 2022	<p>Inclusion of ETFs into Stock Connect launched in Jul 2022</p> <hr/> <p>Swap Connect announced in Jul 2022</p> <hr/> <p>Enhancement to Stock Connect trading calendar announced in Aug 2022</p> <hr/> <p>First A-share structured products, MSCI China A 50 Connect Index Derivatives Warrants, listed in Aug 2022</p>	<p>Derivatives Holiday Trading launched in May 2022</p> <hr/> <p>SPAC regime launched</p> <hr/> <p>Launched Value-at-Risk Platform in cash market in Jun 2022</p> <hr/> <p>Notable range of thematic ETFs listed</p>	<p>First HK Government retail green bonds listed in May 2022</p> <hr/> <p>106 sustainable-focused products now displayed on STAGE</p> <hr/> <p>Launched International Carbon Market Council in Jul 2022</p> <hr/> <p>Launched IR Connect in Jul 2022, a new digital investor relations platform</p>

We are building the Marketplace of the Future



Looking ahead

- **Ongoing economic and geopolitical fragility, market volatility and the rising interest rate environment will continue to impact our markets**
 - **Cash Market trading volumes** to continue to be affected by sentiment
 - macro environment may impact returns on the external portfolio; HK\$2bn will be redeemed in 2H2022 to mitigate **earnings volatility**. Rising interest rates will be beneficial to internally managed investment income
- **Green shoots of IPO market revitalisation** with 16 companies listing in July 2022; **IPO pipeline remains strong with over 180 active applications as at July 2022**; we expect more Chinese companies to convert to a primary listing
- **Continued expansion of Connect programmes, with ETFs and Swap Connect** providing new opportunities for investors and issuers
- **Continued investments in talent, technology, client centricity and risk management** will underpin delivery of our strategic imperatives
- **Business is strongly positioned** to meet challenges head-on and to capitalise on long term opportunities. **We remain focused on building the Marketplace of the Future.**

A long-exposure photograph of a city street at night. The image shows a multi-lane highway with light trails from cars, creating streaks of red, white, and blue. The surrounding area is filled with tall, modern skyscrapers, many of which are illuminated with blue and white lights. The sky is a deep blue, suggesting dusk or dawn. The overall scene is a vibrant, urban nightscape.

Welcome questions

Q&A Session

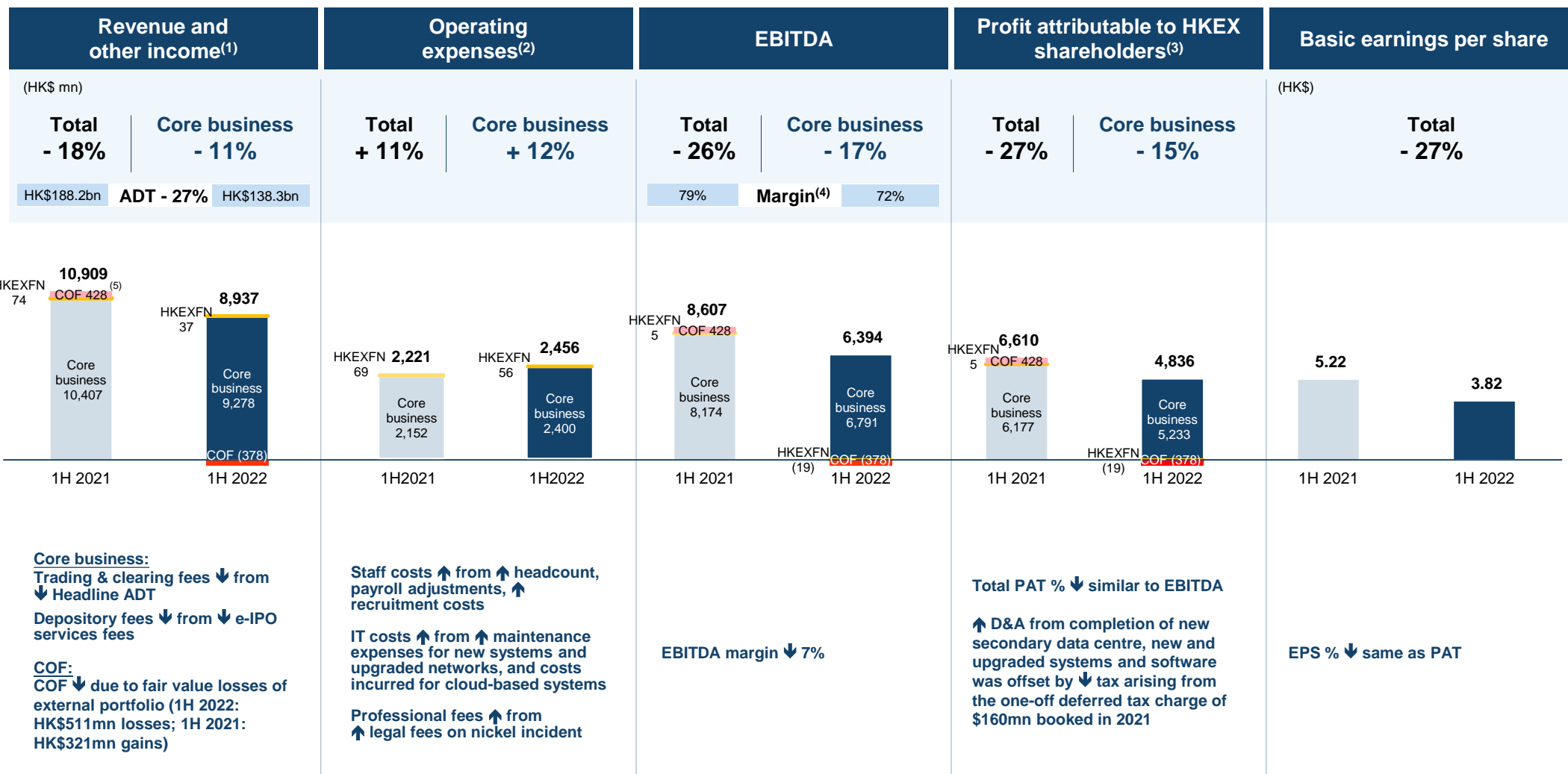


Appendix



1H 2022 vs 1H 2021

Core business net profit was 15% lower than the record 1H 2021, driven by 27% lower Headline ADT

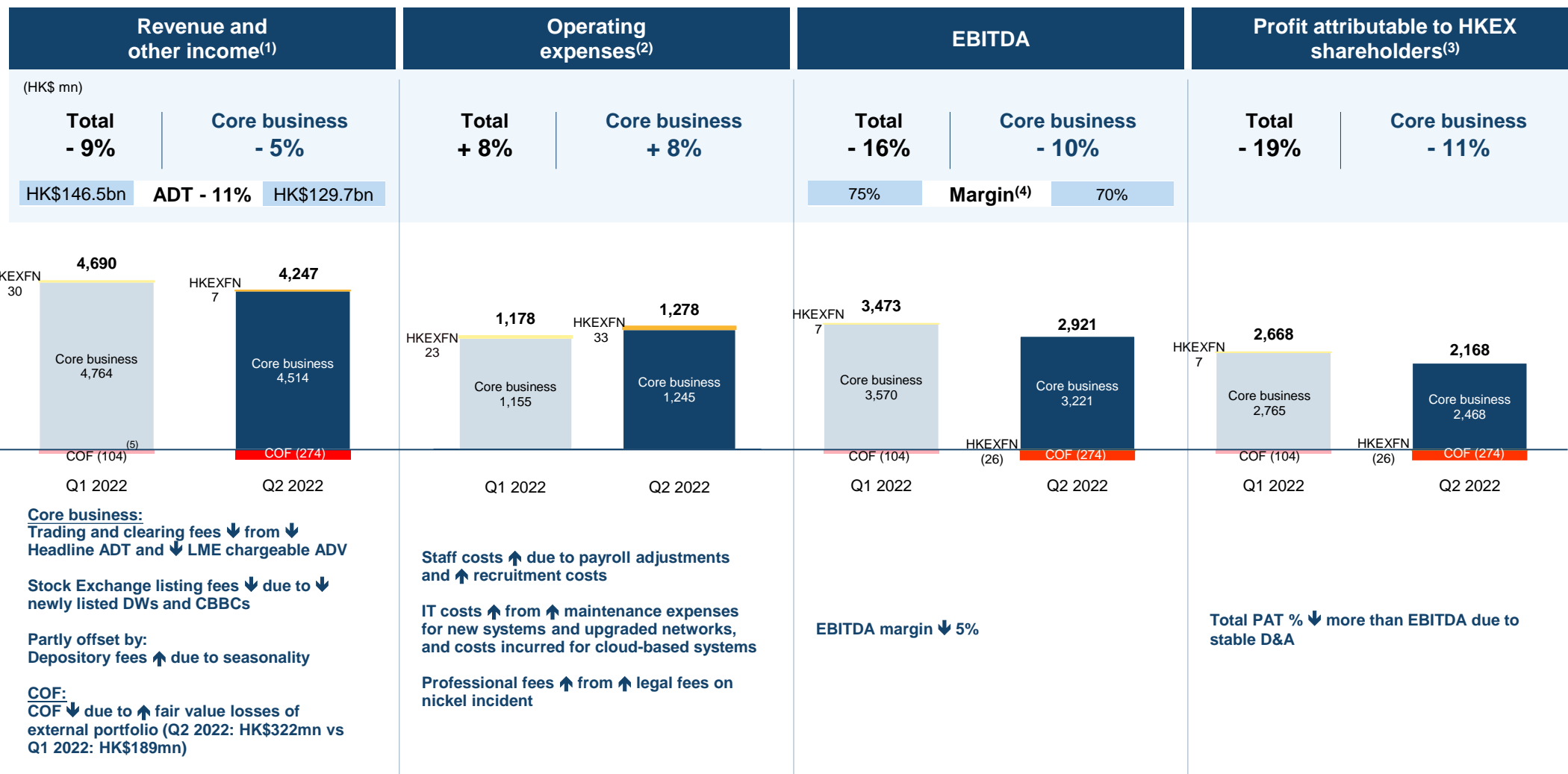


1. Represents gross revenue and other income before deducting transaction-related expenses (1H 2021: \$81m; 1H 2022: \$87m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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/(loss) of Corporate Funds



Q2 2022 vs Q1 2022

Core business net profit down 11%, in line with the drop in Headline ADT



1. Represents gross revenue and other income before deducting transaction-related expenses (Q1 2022: \$39m; Q2 2022: \$48m)
 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/(loss) of Corporate Funds



Financial highlights – Income Statement

(HK\$ mn, unless stated otherwise)	1H 2022	% of Revenue & Other Income	1H 2021	% of Revenue & Other Income	YoY Change
Results					
Revenue and other income	8,937	100%	10,909	100%	(18%)
Less: Transaction-related expenses	(87)	(1%)	(81)	(1%)	7%
Revenue and other income less transaction-related expenses	8,850	99%	10,828	99%	(18%)
Operating expenses	(2,456)	(27%)	(2,221)	(20%)	11%
EBITDA	6,394	72%	8,607	79%	(26%)
Depreciation and amortisation	(717)	(8%)	(662)	(6%)	8%
Operating profit	5,677	64%	7,945	73%	(29%)
Finance costs and share of results of joint ventures	(31)	(0%)	(39)	(0%)	(21%)
Profit before taxation	5,646	63%	7,906	72%	(29%)
Taxation	(817)	(9%)	(1,317)	(12%)	(38%)
Loss attributable to non-controlling interests	7	0%	21	0%	(67%)
Profit attributable to HKEX shareholders	4,836	54%	6,610	61%	(27%)
Capex	478		536		(11%)
Basic earnings per share	HK\$3.82		HK\$5.22		(27%)
Headline ADT on the Stock Exchange	HK\$138.3 bn		HK\$188.2 bn		(27%)

1. % may not add up due to rounding



Performance by operating segment

HK\$ mn	Cash	Derivatives	Commodities	Post Trade	Technology	Corporate Items	Group 1H 2022	Group 1H 2021
Revenue and other income	2,630	1,650	697	3,744	551	(335)	8,937	10,909
<i>% of Group Total</i>	<i>29%</i>	<i>18%</i>	<i>8%</i>	<i>42%</i>	<i>6%</i>	<i>(4%)</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	-	(82)	-	(5)	-	-	(87)	(81)
Revenue and other income less transaction-related expenses	2,630	1,568	697	3,739	551	(335)	8,850	10,828
Operating expenses	(353)	(348)	(346)	(464)	(150)	(795)	(2,456)	(2,221)
EBITDA	2,277	1,220	351	3,275	401	(1,130)	6,394	8,607
<i>% of Group Total</i>	<i>36%</i>	<i>19%</i>	<i>5%</i>	<i>51%</i>	<i>6%</i>	<i>(18%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin⁽¹⁾</i>	<i>87%</i>	<i>78%</i>	<i>50%</i>	<i>88%</i>	<i>73%</i>	<i>N/A</i>	<i>72%</i>	<i>79%</i>
Depreciation and amortisation							(717)	(662)
Finance costs							(73)	(77)
Share of results of joint ventures							42	38
Profit before taxation							5,646	7,906

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

2. % may not add up due to rounding



Top 10 IPOs contributing to increased trading activity

Top 10 IPOs since Jan 2018

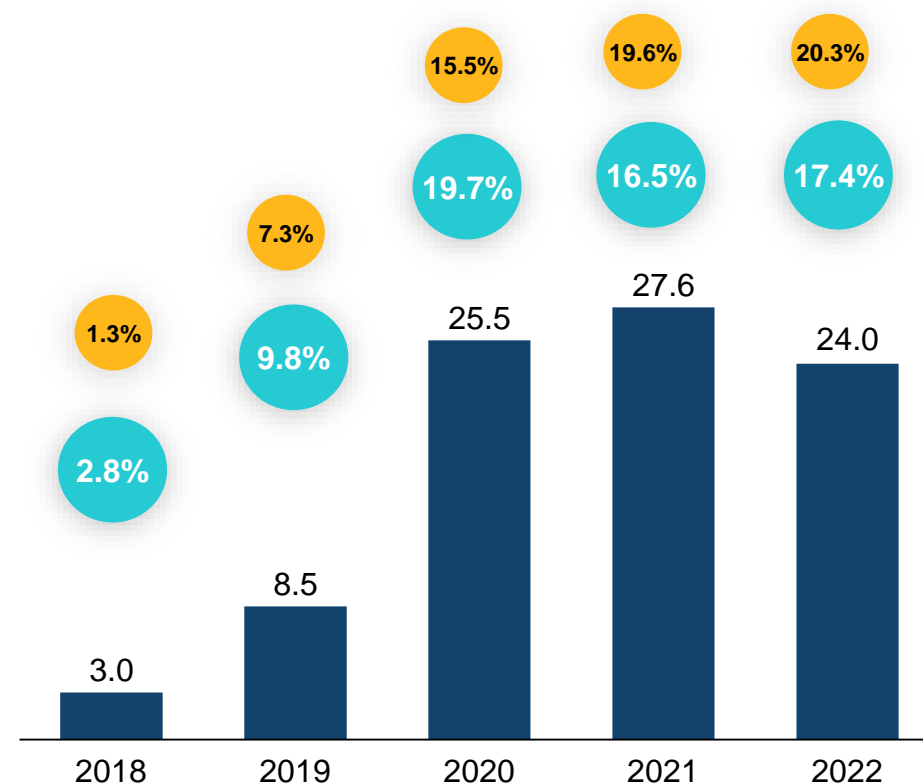
Rank	Stock Name	IPO date	IPO size (HK\$bn)
1	BABA - SW	26/11/2019	101.20
2	CHINA TOWER - H	08/08/2018	58.80
3	KUAISHOU - W	05/02/2021	48.30
4	BUD APAC	30/09/2019	45.08
5	XIAOMI - W	09/07/2018	42.61
6	JD - SW	18/06/2020	34.56
7	MEITUAN - W	20/09/2018	33.14
8	JD HEALTH	08/12/2020	31.00
9	JD LOGISTICS	28/05/2021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

Rising contribution to volumes from Top 10 IPOs

■ Cash Market ADT (HK\$ bn) contributed by Top 10 IPOs and related Structured Products ADT

● % of respective ADT

● % of single stock option ADV



As of Jun 2022, 17% of cash ADT and 20% of single stock option ADV were contributed by the top 10 IPOs since 2018

Source: HKEX, as of Jun 2022. S – Secondary listings; W – Weighted Voting Rights; H – H shares



Continuous ADR conversion and trading migration from China concept homecoming

Top 10 Secondary and Dual Primary Listings¹

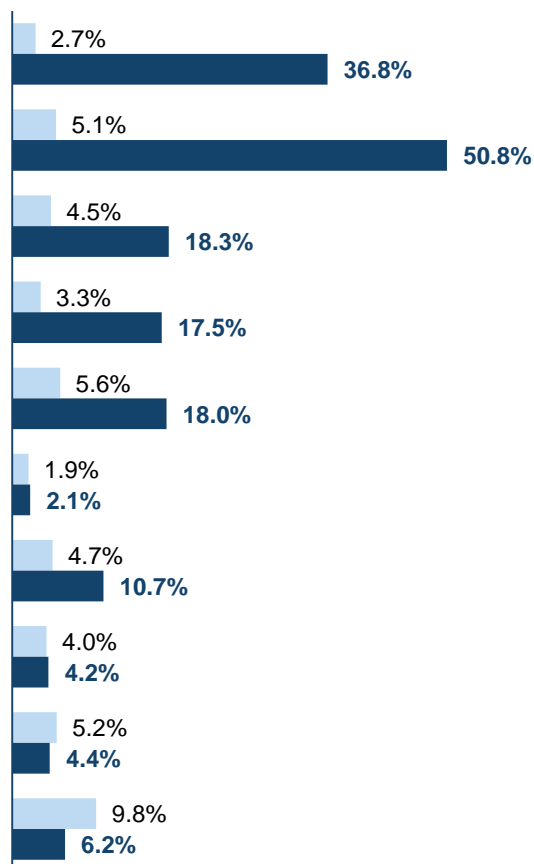
ADR conversion to HK CCASS

Trading shares among HK and US Exchanges

Stock Name	Market Cap (HK\$ bn)	HK IPO Date
BABA-SW	2,427	26/11/2019
JD-SW	790	18/6/2020
NTES-S	473	11/6/2020
BIDU-SW	411	23/3/2021
LI AUTO-W ^A	316	12/8/2021
NIO-SW	287	10/3/2022
XPENG-W ^A	217	7/7/2021
KE Holdings Inc.-W ^A	176	11/5/2022
ZTO EXPRESS-SW	165	29/9/2020
YUM CHINA-S	161	10/9/2020

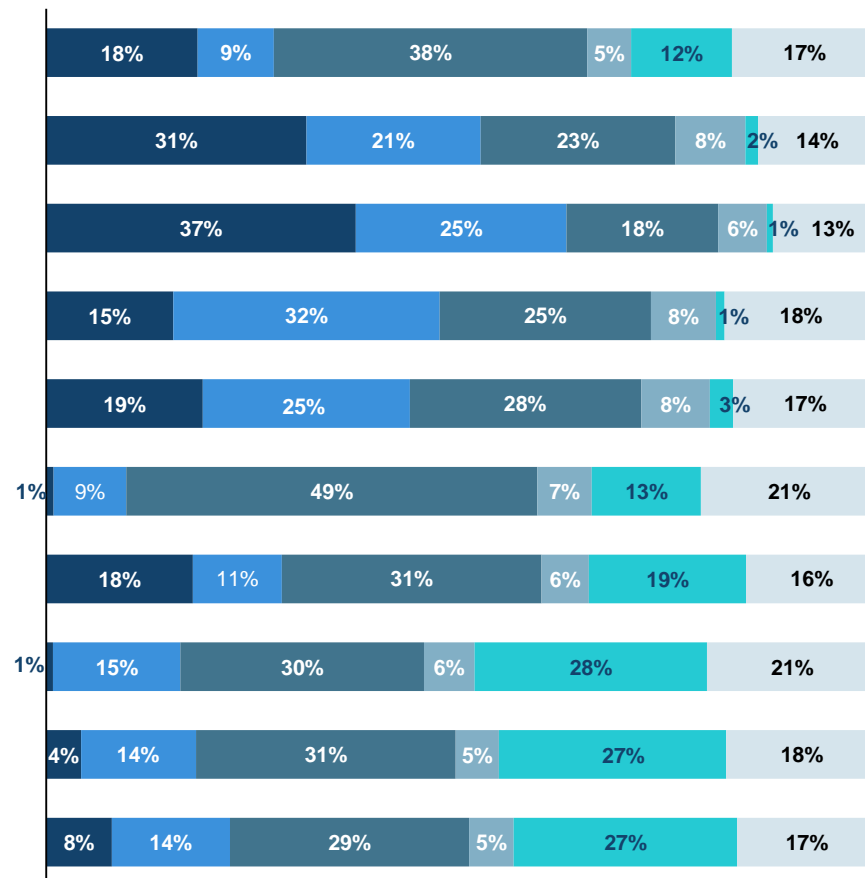
HK freely traded shares²

IPO date 30-Jun-2022



Trading volume breakdown (1H 2022)

HKEX NASDAQ FINRA ADF³ NYSE Arca NYSE Others (US)



Source: HKEX, FactSet, as of 30 Jun 2022 ^ADual Primary Listing

1. Ranked by market cap

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

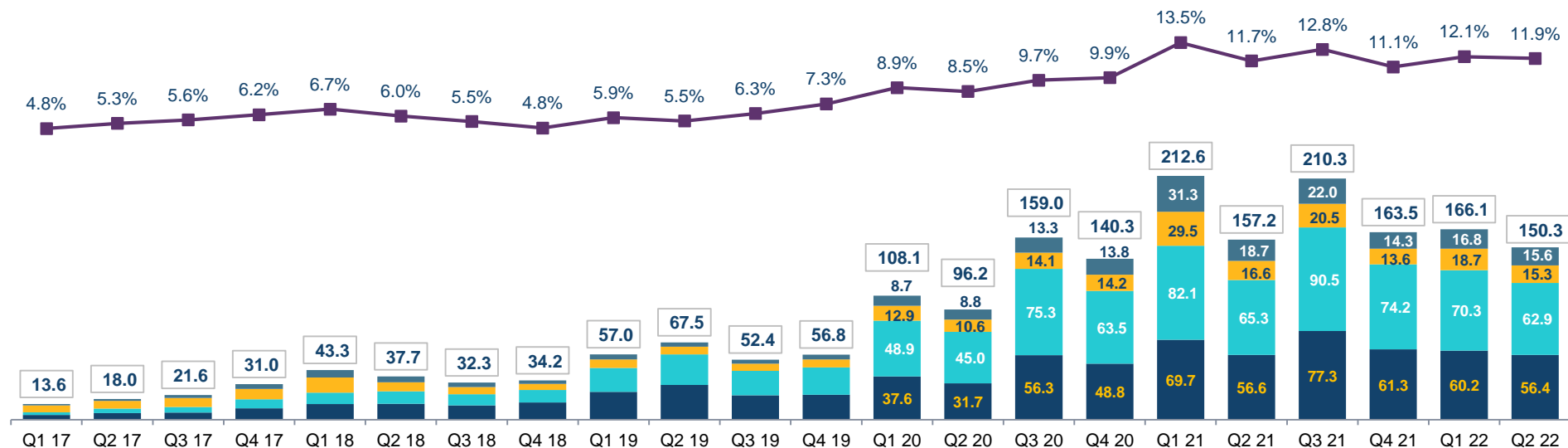
Stock Connect generated revenue of HK\$1,185mn in 1H 2022

Stock Connect Average Daily Turnover in Value (HK\$ bn)

■ Shenzhen Southbound ■ Shenzhen Northbound ⁽¹⁾ Total average daily turnover in value
■ Shanghai Southbound ■ Shanghai Northbound ⁽¹⁾ — Percentage of Southbound turnover of Hong Kong Market

NB record of RMB191.2bn on 7 Jul 2020

SB record of HK\$102.2bn on 27 Jul 2021



Stock Connect Northbound and Southbound Trading ADT reached RMB103.9bn and HK\$33.2bn respectively in 1H 2022

Stock Connect revenue reaching 13% of the Group's total revenue and other income in 1H 2022 (1H 2021: 12%)

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 rounding



Thank you.

For further information on HKEX, please go to
hkexgroup.com and hkexnews.hk

