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

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

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

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2023

HIGHLIGHTS

Nicolas Aguzin, Chief Executive Officer said:

“The year has got off to a very good start, with HKEX reporting one of its best quarters ever. Our clear strategy, commitment to offering our customers around the world more choice and opportunity and our resolute focus on our unique strength of connecting China and the World, is producing results. Despite economic fragility impacting market volumes around the world, this quarter our derivatives market has gone from strength-to-strength, we announced a range of important new strategic initiatives such as our new Specialist Technology Company listing regime and Stock Connect eligible stocks and trading calendar enhancements, and we welcomed a host of new issuers and products to our markets. As we look forward to the rest of the year, we will continue to execute on our strategy, ensuring that we are active proponents of global dialogue and connectivity, working with all our regional and international stakeholders to deliver shared sustainable success. We remain fully committed to prudently investing in our people, our operations and our markets, reinforcing our relevance and role at the heart of one of the world’s leading international financial centres.”

Strategic Highlights

- Stock Connect trading calendar enhancements announced, adding around 10 trading days to Northbound and Southbound Connect each year
- Expansion of eligible stocks through Stock Connect took effect in March, with four primary-listed international companies in Hong Kong becoming eligible for Southbound Trading and an additional 1,034 stocks becoming eligible for Northbound Trading
- Hong Kong Investor Identification Regime launched in March
- New Specialist Technology Company listing regime took effect on 31 March 2023
- IPO pipeline remained strong with over 90 active applications as at 31 March 2023
- Q1 products launched included two ESG ETFs and a bitcoin futures ETF
- The LME Group announced a two-year strategic and operational programme to strengthen and enhance its markets
- HKEX Foundation launched its 2023 Impact Funding Scheme

Financial Highlights

- HKEX reported the Group’s second best ever quarterly revenue and other income and profit in Q1 2023, after the exceptional Q1 2021
- Q1 2023 revenue and other income was up 19 per cent on prior year to \$5,558 million (7 per cent higher than Q4 2022)
 - Core business revenue was up 5 per cent against Q1 2022, reflecting higher net investment income from Margin Funds and Clearing House Funds, partly offset by lower trading and clearing fees and lower listing fees
 - Net investment income from Corporate Funds was \$549 million (Q1 2022: losses of \$104 million), reflecting net fair value gains on the externally-managed investment funds (External Portfolio) of \$195 million (Q1 2022: losses of \$189 million) and higher investment income from internally-managed Corporate Funds
- Operating expenses were 11 per cent higher than Q1 2022 (3 per cent lower than Q4 2022), attributable to higher staff costs and professional fees
- EBITDA¹ margin was 1 per cent higher at 76 per cent compared with prior year and 2 per cent higher than Q4 2022
- Profit attributable to shareholders was \$3,408 million, 28 per cent higher than Q1 2022 (14 per cent higher than Q4 2022)

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

Key Financials

	Q1 2023 \$m	Q1 2022 \$m	Change
Revenue and other income			
Core business revenue	5,004	4,764	5%
Donation income of HKEX Foundation	5	30	(83%)
Net investment income/(loss) of Corporate Funds	549	(104)	N/A
	5,558	4,690	19%
Operating expenses	1,303	1,178	11%
EBITDA	4,209	3,473	21%
Profit attributable to shareholders	3,408	2,668	28%
Capital expenditure	240	190	26%
Basic earnings per share	\$2.69	\$2.11	27%

Key Market Statistics

	Q1 2023	Q1 2022	Change
ADT of equity products traded on the Stock Exchange ¹ (\$bn)	114.7	126.0	(9%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	13.1	20.5	(36%)
ADT traded on the Stock Exchange ^{1,2} (Headline ADT) (\$bn)	127.8	146.5	(13%)
ADT of Northbound Trading of Stock Connect ¹ (RMBbn)	97.0	105.9	(8%)
ADT of Southbound Trading of Stock Connect ¹ (\$bn)	37.5	35.5	6%
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	753	705	7%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	665	637	4%
Chargeable ADV ³ of metals contracts traded on the LME ('000 lots)	503	588	(14%)
ADT of Northbound Bond Connect (RMBbn)	37.0 ⁴	33.9	9%

¹ Includes buy and sell trades under Stock Connect

² ADT of Southbound Trading is included within Headline ADT.

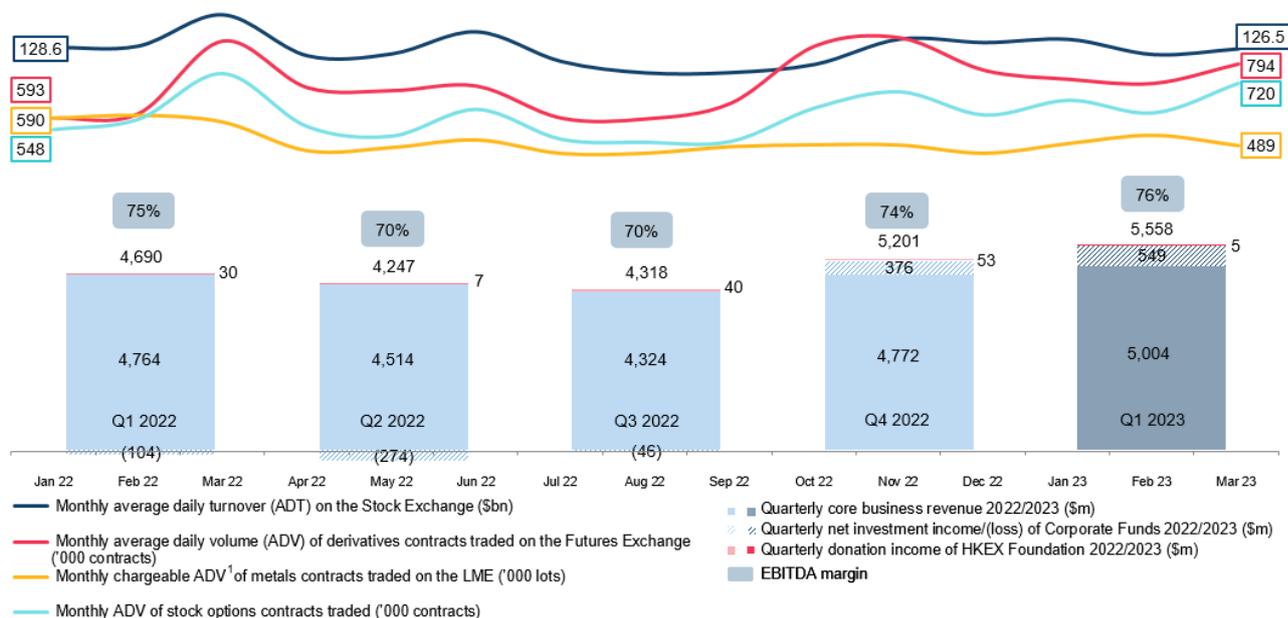
³ Chargeable ADV excludes administrative trades (Admin Trades) and other non-chargeable trades.

⁴ New record quarterly high in Q1 2023

BUSINESS REVIEW

Overview

Quarterly Results, Q1 2022 – Q1 2023



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

Fig. 1 – Market activity and Group's² revenue and other income/(loss)

HKEX continued to demonstrate its strength and resiliency in Q1 2023, despite the ongoing challenging macroeconomic and high interest rate environment and a fragile geopolitical backdrop. Headline ADT was \$127.8 billion in Q1 2023, broadly flat against Q4 2022, but 13 per cent lower than Q1 2022. The Group's Derivatives Markets continued to demonstrate their strength with the number of derivatives contracts traded increasing by 6 per cent against Q1 2022 (4 per cent lower than the record Q4 2022). Reflecting increased interest rates throughout 2022 and Q1 2023 and the associated rebound of the External Portfolio, net investment income reached a record quarterly high of \$1.5 billion in Q1 2023.

Revenue and other income for Q1 2023 of \$5.6 billion was the second highest reported quarterly revenue, after the all-time record exceptional Q1 2021 and was 19 per cent higher than Q1 2022. The increase in revenue was mainly attributable to the record quarterly net investment income, partly offset by the decrease in trading and clearing fees from lower Headline ADT and Stock Connect Northbound ADT and the decrease in Stock Exchange listing fees from lower number of newly listed derivative warrants (DWs) and callable bull/bear contracts (CBCBs). Compared with Q4 2022, revenue and other income in Q1 2023 was up by 7 per cent, again attributable to higher net investment income.

Operating expenses were up 11 per cent against Q1 2022, but were 3 per cent lower than Q4 2022. Compared with Q1 2022, the increase was mainly due to higher staff costs and higher professional fees relating to the nickel market incident.

2 HKEX and its subsidiaries, which include The Stock Exchange of Hong Kong Limited (SEHK or the Stock Exchange), Hong Kong Futures Exchange Limited (HKFE or the Futures Exchange), Hong Kong Securities Clearing Company Limited (HKSCC), HKFE Clearing Corporation Limited (HKCC), The SEHK Options Clearing House Limited (SEOH), OTC Clearing Hong Kong Limited (OTC Clear), The London Metal Exchange (LME), LME Clear Limited (LME Clear), Qianhai Mercantile Exchange Co., Ltd. (QME), BayConnect Technology Company Limited (BayConnect) and other subsidiaries

Analysis of Results and Business Update by Operating Segment

	Q1 2023				Q1 2022			
	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m
Results by segment:								
Cash	2,127	(3)	2,124	1,853	2,372	(3)	2,369	2,133
Equity and Financial Derivatives	1,860	(43)	1,817	1,595	1,315	(36)	1,279	1,053
Commodities	506	-	506	215	589	-	589	345
Data and Connectivity	505	-	505	397	485	-	485	385
Corporate Items	560	-	560	149	(71)	-	(71)	(443)
	5,558	(46)	5,512	4,209	4,690	(39)	4,651	3,473

In prior years, the Group had five reportable segments (“Corporate Items” is not a reportable segment): Cash, Equity and Financial Derivatives, Commodities, Post Trade and Technology.

To optimise resources to successfully deliver the initiatives set out in our vision to build the Marketplace of the Future, the Group’s operating segments have been reorganised: trading and clearing businesses are now being managed together in each asset class and therefore Post Trade revenue and expenses are reallocated to the Cash, Equity and Financial Derivatives and Commodities segments for each asset class. In addition, HKEX’s data business has become one of the Group’s key strategic development focuses, and revenue and expenses for Hong Kong’s data business have been reallocated from the Cash and Equity and Financial Derivatives segments, and grouped together with other non-cyclical businesses formerly included in the Technology segment and renamed as the Data and Connectivity segment.

Comparative figures have been restated to conform with current period’s presentation.

Cash Segment

The Cash segment covers all equity products traded on the Cash Market platforms of Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (Stock Connect), the clearing, settlement and custodian activities relating to these products and any other related activities. The major sources of revenue of the segment are trading fees, clearing and settlement fees, listing fees, depository, custody and nominee services fees and net investment income earned on the Margin Funds and Clearing House Funds relating to these products.

Analysis of Results

Revenue and other income, less transaction-related expenses, was down 10 per cent and EBITDA was down 13 per cent compared with Q1 2022.

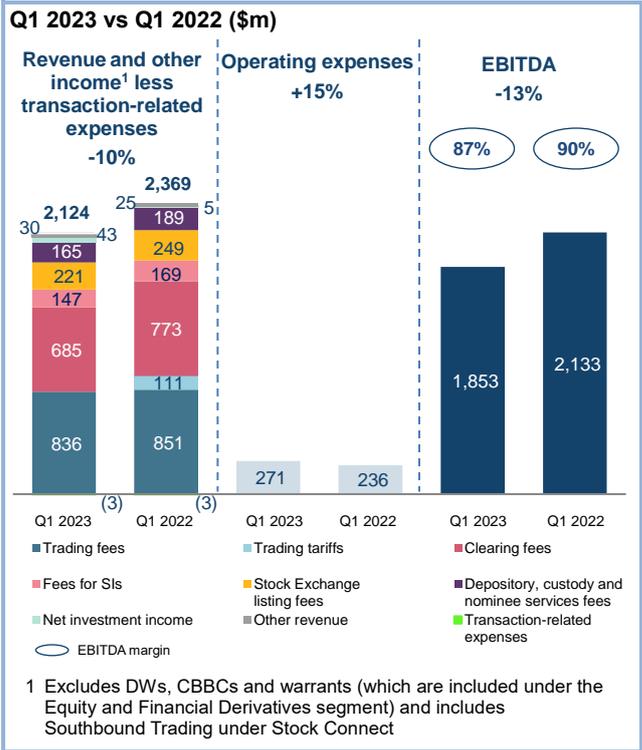
Trading fees of equity products for Q1 2023 were \$836 million, a 13 per cent decrease compared with the total trading fees and tariffs of \$962 million in Q1 2022. The reduction was attributable to the 9 per cent decrease in ADT of equity products traded on the Stock Exchange, the 8 per cent decrease in ADT of Northbound Trading of Stock Connect and the net decrease in fees resulting from the change in trading fee structure for the Cash Market with effect from 1 January 2023, which included the removal of the fixed trading tariff of \$0.5 payable on each transaction, and the increase of the ad valorem fee on all trades from 0.005 per cent to 0.00565 per cent.

Clearing and settlement fees and fees for Settlement Instructions (SIs) for equity products decreased by 11 per cent and 13 per cent respectively. The decreases were primarily driven by a lower number of transactions and lower clearing fees from Stock Connect Northbound Trading of \$182 million (Q1 2022: \$246 million).

Stock Exchange listing fees decreased by \$28 million, mainly due to a decrease in forfeitures.

Depository, custody and nominee services fees for equity products decreased from \$189 million in Q1 2022 to \$165 million in Q1 2023, mainly due to lower scrip fees and stock withdrawal fees.

Operating expenses increased by 15 per cent, mainly due to higher allocated costs of the Listing Division: this reflected a lower percentage decrease in listing fees of the Cash segment from forfeitures compared with the Equity and Financial Derivatives segment, attributable to the decrease in listing fees from lower number of newly listed DWs and CBBCs.



Business Update

The Hong Kong securities market showed its strength and resiliency in Q1 2023, with Headline ADT of \$127.8 billion, broadly flat against Q4 2022 despite a year-on-year decrease of 13 per cent.

Stock Connect operated smoothly during Q1 2023, with Northbound and Southbound ADT of RMB97.0 billion and \$37.5 billion respectively, generating revenue and other income of \$564 million (Q1 2022: \$641 million), of which \$411 million (Q1 2022: \$486 million) arose from trading and clearing activities.

On 13 March 2023, the expansion of eligible stocks under the Stock Connect programme took effect, with four primary-listed international companies in Hong Kong becoming eligible for Southbound Trading and an additional 1,034 stocks becoming eligible for Northbound Trading. The expansion of both Southbound and Northbound Trading under Stock Connect marks another significant milestone of the mutual market access programme.

On 24 February 2023, the Securities and Futures Commission (SFC) and the China Securities Regulatory Commission (CSRC) announced that a Stock Connect trading calendar enhancement would take effect on 24 April 2023. The enhancement adds around 10 trading days to Northbound and Southbound Connect each year, providing more trading opportunities to international and Mainland investors. The first additional Northbound trading day will be 25 May 2023 and the first additional Southbound trading day will be 27 April 2023.

On 20 March 2023, HKEX and the SFC successfully implemented the Hong Kong Investor Identification Regime (HKIDR). The launch of the HKIDR facilitates more effective market surveillance and further promotes investor confidence.

During Q1 2023, HKEX welcomed 18 new listings raising \$6.7 billion, down 55 per cent compared with Q1 2022. HKEX's initial public offering (IPO) pipeline remained strong during the quarter with 92 active applications as at 31 March 2023.

In March 2023, HKEX held the next HKEX Corporate Access series, focused on the Consumer Sector, providing a forum for industry stakeholders to share views and insights around growth opportunities in China and the region. The event welcomed nearly 70,000 viewers via various live stream platforms and a full house of onsite audience at HKEX Connect Hall.

Key Market Indicators	Q1	
	2023	2022
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	114.7	126.0
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn)	43.9	48.8
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn)	53.1	57.1
ADT of Southbound Trading – Shanghai-Hong Kong Stock Connect ² (\$bn)	18.0	18.7
ADT of Southbound Trading – Shenzhen-Hong Kong Stock Connect ² (\$bn)	19.5	16.8
ADT of Northbound Bond Connect (RMBbn)	37.0⁴	33.9
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000)	1,873	1,974
Average daily value of SIs for Stock Exchange trades (\$bn)	281.5	331.0
Average daily number of SIs for Stock Exchange trades ('000)	108	125
Average daily value of SIs for Northbound Trading of Stock Connect (RMBbn)	26.3	30.0
Number of newly listed companies on the Main Board ³	18	17
Number of newly listed companies on GEM	-	-
Total equity funds raised		
- IPOs (\$bn)	6.7	14.9
- Post-IPO (\$bn)	27.0	63.1
Number of companies listed on the Main Board at 31 Mar	2,265	2,224
Number of companies listed on GEM at 31 Mar	338	349
Number of trading days	61	61
1 Excludes DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment) and includes ADT of Southbound Trading under Stock Connect		
2 Includes buy and sell trades under Stock Connect		
3 Includes nil transfer from GEM (Q1 2022: 1)		
4 New record quarterly high in Q1 2023		

The HKEX Exchange Traded Product³ (ETP) market continued to grow, with ADT reaching \$14.5 billion in Q1 2023, a 31 per cent increase compared with the prior year. In Q1 2023, six new ETPs were introduced, including a bitcoin futures ETF and two ESG ETFs. These further enrich the existing ETF ecosystem and reinforce Hong Kong's role as Asia's most dynamic ETF market.

As at 31 March 2023, five Southbound ETFs and 97 Northbound ETFs were included in Stock Connect. The ADT for Southbound and Northbound ETFs during Q1 2023 were \$1.7 billion and RMB219 million respectively, reaching daily record highs of \$7.2 billion and RMB534 million on 28 February 2023 and 17 January 2023 respectively.

Northbound Bond Connect saw steady growth in Q1 2023, with ADT reaching a record quarterly high of RMB37.0 billion, representing a year-on-year growth of 9 per cent. In addition, the number of trading tickets reached a daily record high of 1,127 on 28 February 2023.

The Stock Exchange welcomed 58 bonds to the market in Q1 2023 (including the first locally listed insurance-linked securities in the form of a catastrophe bond issued by the World Bank) and raised more than \$178 billion. Among these were 17 green/ESG related bond listings, raising a total of \$79.2 billion (Q1 2022: 26 listings raising \$71.4 billion). As at 31 March 2023, there were a total of 1,701 listed bonds on the market, valued at over \$5.7 trillion, and a total of 131 sustainable-focused products (including bonds and ETFs) from leading issuers were displayed on HKEX's Sustainable and Green Exchange (STAGE).

In Q1 2023, HKEX continued its efforts to promote transparency and a strong compliance culture across our business and markets, with a number of initiatives, including:

Key initiatives on promoting market surveillance and compliance in Q1 2023

- Announced completion of the 2022 Annual Attestation and Inspection Programme (Annual Programme) and published compliance reminders to the market on relevant rules and requirements, sharing common deficiencies and good practices observed
 - Commenced the 2023 Annual Programme with an enforcement focus on (1) China Connect rules and (2) risk management. Two information sessions were held in March 2023, highlighting the key requirements regarding the two focus areas
 - Issued the quarterly compliance bulletin and explanatory notes of reporting form submission under HKIDR
-

On 24 February 2023, the Stock Exchange published a consultation paper on Rule amendments following Mainland China regulation updates and other proposed Rule amendments relating to PRC issuers, reflecting recent changes to Mainland China regulations announced by the CSRC. The consultation period ended on 24 March 2023.

On 24 March 2023, the Stock Exchange published consultation conclusions on the Listing Regime for Specialist Technology Companies, further expanding Hong Kong's listing framework. Adjustments were made to the proposals set out in the consultation paper to reflect market feedback, and the new Listing Rules took effect on 31 March 2023.

In addition, the Stock Exchange published the following guidance materials during Q1 2023:

Guidance materials

- A "Review of Issuers' Annual Reports 2022" on the findings and recommendations from the review of issuers' annual reports with a 2021 financial year end
 - The semi-annual Enforcement Bulletin focused on the importance of accurate and meaningful disclosures
 - Frequently asked questions on the PRC's new filing requirements for overseas listings and securities offerings by Mainland companies
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3 Includes Exchange Traded Funds (ETFs) and Leveraged and Inverse Products (L&I Products)

Equity and Financial Derivatives Segment

The Equity and Financial Derivatives segment refers to derivatives products traded on the Stock Exchange and the Futures Exchange, the clearing, settlement and custodian activities relating to these products and over-the-counter (OTC) derivatives contracts and other related activities. These include the provision and maintenance of trading and clearing platforms for a range of equity and financial derivatives products, such as stock and equity index futures and options, DWs, CBBCs and warrants, and OTC derivatives contracts. The major sources of revenue are trading fees and trading tariffs, clearing and settlement fees, listing fees, depository, custody and nominee services fees and net investment income earned on the Margin Funds and Clearing House Funds relating to these products.

Analysis of Results

Revenue and other income, less transaction-related expenses, was up 42 per cent; and EBITDA was up 51 per cent compared with Q1 2022.

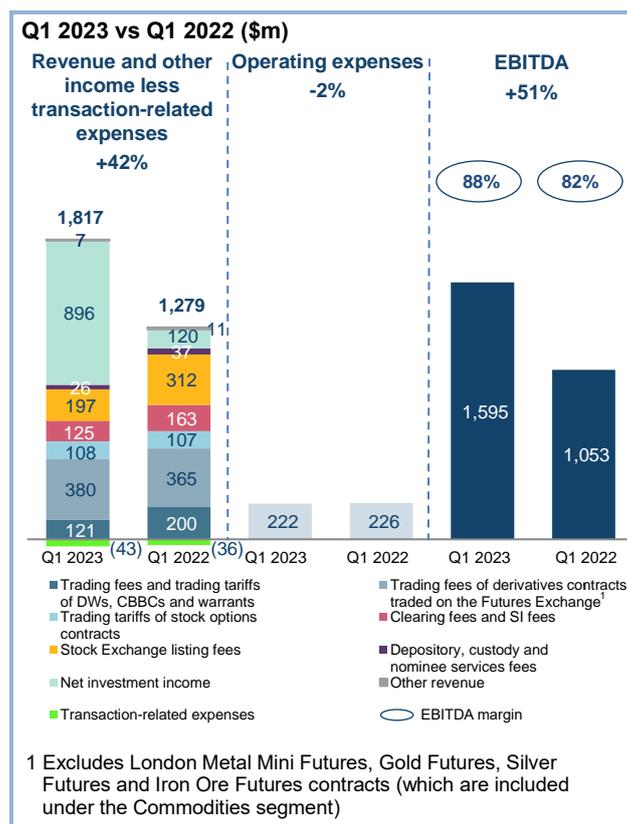
Trading fees and trading tariffs of DWs, CBBCs and warrants were down 40 per cent compared with Q1 2022, attributable to the 36 per cent decrease in ADT and the removal of the fixed trading tariffs, but partly offset by the increased ad valorem trading fees (see commentary in the Cash segment).

Futures Exchange derivatives trading fees⁴ increased by \$15 million, or 4 per cent, due to the increase in number of derivatives contracts traded; but this was partly offset by lower fees per contract, attributable to a lower proportion of higher fee contracts (including Hang Seng Index (HSI) futures and options) being traded in Q1 2023.

Stock Exchange listing fees decreased by 37 per cent due to a decrease in the number of newly listed DWs and CBBCs compared with Q1 2022.

Net investment income increased by \$776 million compared with Q1 2022, mainly due to higher HKD and USD deposit rates in Q1 2023, partly offset by the increase in interest rebates paid to the Clearing Participants (CPs) for higher base rates.

Operating expenses decreased by 2 per cent due to decrease in cash incentives relating to the derivatives products, and lower allocated costs of the Listing Division from a higher percentage decrease in listing fees compared with the Cash segment.



⁴ Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

Business Update

ADV of derivatives contracts traded⁴ in Q1 2023 was 1,418,695 contracts, 6 per cent higher than Q1 2022. A number of futures and options contracts reached single-day records in volume and open interest (OI) during the period:

	Single-day Trading Volume	
	Date (2023)	Number of contracts
Hang Seng China Enterprises Index (HSCEI) Futures	24 Feb	583,997
Hang Seng TECH Index Futures	27 Mar	309,761
MSCI China Net Total Return (USD) Index Futures	13 Mar	39,096
	Open interest	
	Date (2023)	Number of contracts
HSCEI Futures Options	16 Mar	1,173,979
Hang Seng TECH Index Futures	28 Mar	257,389
MSCI China Net Total Return (USD) Index Futures	14 Mar	50,006
Hang Seng TECH Index Options	29 Mar	41,752
Hang Seng TECH Index Futures Options	29 Mar	22,796

Several products introduced in recent years continued to gain traction in Q1 2023, including the Hang Seng Tech Index Futures and the three physically-settled Options on Futures contracts, as set out below:

- Hang Seng TECH Index Futures ADV reached 99,649 contracts in Q1 2023, up 88 per cent against Q1 2022;
- ADV of HSI Futures Options in Q1 2023 (4,413 contracts) more than doubled than that of Q1 2022, and ADV of HSCEI Futures Options in Q1 2023 (37,011 contracts) nearly tripled compared with Q1 2022;
- Hang Seng TECH Index Futures Options reached daily record high of 4,807 contracts on 26 January 2023 and OI of the contract reached daily record high of 22,796 contracts on 29 March 2023; and
- The aggregative OI of three Futures Options contracts hit a new record of 1.28 million contracts on 16 March 2023, with a notional value of US\$60 billion.

HKEX continued to strengthen its MSCI derivatives product suite with the relaunch of MSCI India (USD) Index Futures on 1 March 2023, with updated contract specifications to better serve the needs of international investors. In addition, the OI of MSCI Net Total Return (NTR) Suite Futures reached 53,581 contracts on 31 March 2023, up 62 per cent compared with the end of 2022, and ADV of the Futures reached 2,550 contracts in Q1 2023, up 69 per cent compared to Q1 2022.

As the largest stock option market in Asia Pacific, HKEX continued to expand the range of single stock options by adding three new underlying securities in March 2023, bringing the total number of stock option classes to 126.

OTC Clear's total clearing volume was US\$78.0 billion in Q1 2023, up 78 per cent from Q1 2022, with total Cross Currency Swap (CCS) clearing volume up 83 per cent to US\$49.9 billion. In particular, USD/CNH CCS clearing volume reached a record quarterly high in Q1 2023, with US\$41.7 billion notional cleared, up 82 per cent compared with Q1 2022. The increase in CCS clearing volume was driven by strong momentum in dim sum bond issuance and hedging activities and the uplift of the settlement limit by OTC Clear. Total Interest Rate Swap (IRS) clearing volume was also up 63 per cent compared with Q1 2022, driven by the significant growth in HKD IRS

Key Market Indicators	Q1	
	2023	2022
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	13.1	20.5
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	357	416
ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts)	753	702
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	665	637
Number of newly listed DWs	2,505	3,729
Number of newly listed CBBCs	6,913	11,844
ADV of contracts traded during After-Hours Trading (AHT) ¹ ('000 contracts)	92	125
Number of trading days ²	61	61
	At	At
	31 Mar 2023	31 Mar 2022
Open interest of futures and options contracts ¹ ('000 contracts)	13,688	11,291
¹ Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment) ² Excludes 3 holiday trading days (Q1 2022: nil)		

clearing volume, which amounted to US\$11.3 billion in Q1 2023, up 191 per cent compared to Q1 2022.

Following the reintroduction of US index CBBCs in September 2022, the number of issuers grew from one in Q4 2022 to five in Q1 2023; and the number of new issuances has recorded solid growth with a total of 169 new listings in Q1 2023 (Q4 2022: 29). ADT of US index CBBCs reached \$91 million in Q1 2023, comparable to that of the US index DWs at ADT of \$124 million. HKEX will continue expanding its list of eligible underlying to offer a broader range of hedging tools for investors to manage their local and overseas exposures.

Commodities Segment

The Commodities segment refers to the operations of the LME, which operates an exchange in the UK for the trading of base and ferrous metals futures and options contracts and the operations of its clearing house, LME Clear; it also covers the operations of QME, the commodity trading platform in the Mainland and the commodities contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees and clearing and settlement fees of commodity products, commodity market data fees, net investment income earned on the Margin Funds and Clearing House Funds relating to these products, and fees for ancillary operations.

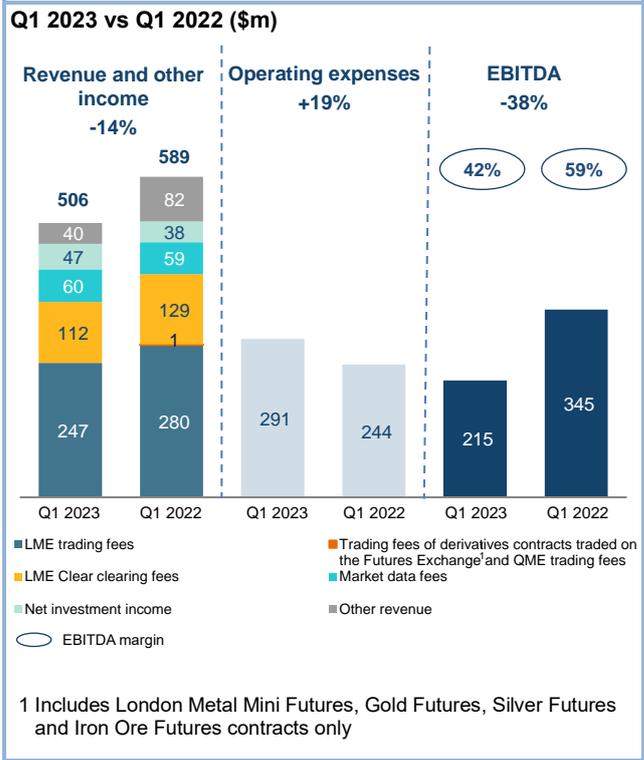
Analysis of Results

Revenue and other income was down 14 per cent and EBITDA was down 38 per cent compared with Q1 2022.

LME trading fees and LME Clear clearing fees decreased by 12 per cent and 13 per cent respectively, reflecting the 14 per cent decrease in chargeable ADV of metals contracts traded, partly offset by more trading days (2 per cent) in Q1 2023.

Other revenue declined by \$42 million, mainly due to lower accommodation income collected from LME Clear CPs on cash collateral, as USD investment returns rose above the benchmark interest rate stipulated in the rules of LME Clear.

Operating expenses rose by 19 per cent, attributable to legal and professional fees relating to the nickel market incident and consultancy fees incurred in an ongoing programme of strengthening and enhancements to the LME market.



Business Update

On 30 March 2023, the LME Group announced a two-year programme of change to strengthen and enhance its markets. The action plan addresses recommendations put forward in an Oliver Wyman report, following events in the nickel market in 2022.

Since the nickel incident in March 2022, the LME has taken a series of steps to enhance its market resilience, including the introduction of weekly OTC position reporting, which has improved the LME's holistic visibility of OTC and exchange activity; and the introduction of daily price limits. The LME has also enhanced a number of policies and risk controls to support the implementation of these steps. The LME has confirmed that its daily price limits are now a permanent feature of its market, and intends to implement a new calibration methodology for setting the limits by the end of Q2 2023.

The LME is committed to rebuilding liquidity in the LME nickel market: alongside reopening Asian hours nickel trading on 27 March 2023, it has introduced a fast-track listing approach and fee waiver for new LME Nickel brands, without relaxing the LME's metallurgical or responsible sourcing standards, with the aim of bringing more stock and liquidity to the contract.

The LME's digital credential register, LMEpassport, has continued to gain traction, with the number of users, sustainability metrics and standards disclosed registering growth. The LME reached an important milestone in March 2023, with over half of LME brands listed sharing a range of ESG credentials on the platform. On the responsible sourcing requirements, the LME published an updated version of the policy following a request at the end of 2022; and published the first-ever summary statistics associated with compliance for a sub-set of brands, in line with the transparency aspect of the requirements.

Key Market Indicators	Q1	
	2023	2022
	'000 lots	'000 lots
ADV of metals contracts traded on the LME		
Aluminium	201	245
Copper	133	122
Zinc	77	96
Nickel	35	76
Lead	50	42
Others	7	7
Total chargeable ADV excluding Admin Trades ¹	503	588
Chargeable Admin Trades ¹	28	31
Other non-chargeable trades	-	1
Total ADV	531	620
Number of trading days	64	63
	At	At
	31 Mar 2023	31 Mar 2022
	'000 lots	'000 lots
Total futures market open interest	1,581	1,603

¹ Admin Trades are chargeable at a lower trading and clearing fee rate of US\$0.06 per contract.

Data and Connectivity Segment

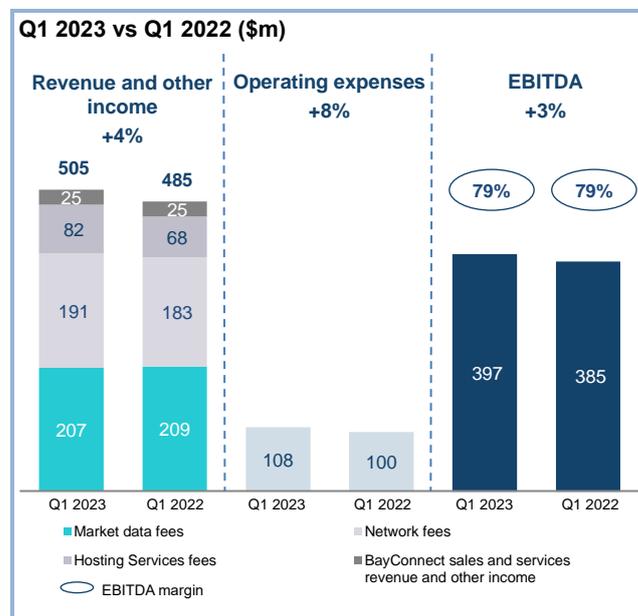
The Data and Connectivity segment covers sales of market data relating to the Hong Kong Cash and Derivatives Markets, all services in connection with providing users with access to the platform and infrastructure of the Group and services provided by BayConnect. Its major sources of revenue are market data fees, network, terminal user, data line and software sub-license fees and hosting services fees.

Analysis of Results

Revenue and other income was up 4 per cent and EBITDA was up 3 per cent compared with Q1 2022.

During Q1 2023, network fees rose by 4 per cent due to increased usage of both the Orion Central Gateway and China Connect Central Gateway by Exchange Participants, partly offset by lower fees from the sale of new throttles.

Hosting Services fees increased by 21 per cent due to growth in both new customer subscriptions and increased usage by existing customers, following the launch of the new Hosting Services data hall in Q4 2022.



Business Update

During Q1 2023, all of HKEX's major trading, clearing, settlement and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform robustly.

In Q1 2023, the Orion Trading Platform – Securities Market (OTP-C) was upgraded to allow Relevant Regulated Intermediaries (RRIs) to tag Broker-to-Client Assigned Numbers (BCANs) to on-exchange orders and off-exchange trades reportable to the Stock Exchange. In addition, some new features of the Orion Central Gateway – Securities Market (OCG-C) and the updated quotation rules for ETPs were implemented together with the launch of the HKIDR.

Corporate Items

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

Analysis of Results

	Q1 2023 \$m	Q1 2022 \$m
Net investment income/(loss)	549	(104)
Donation income of HKEX Foundation	5	30
Others	6	3
Total revenue and other income	560	(71)
Operating expenses:		
- HKEX Foundation charitable donations	(27)	(23)
- Others	(384)	(349)
EBITDA	149	(443)

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

	Q1 2023 \$m	Q1 2022 \$m
Net investment income/(loss) from:		
- External Portfolio	195	(189)
- Cash and bank deposits	308	48
- Equity securities ¹	3	2
- Debt securities	9	2
- Exchange gains	34	33
Total net investment income/(loss)	549	(104)
Average fund size (\$bn)	34.8	34.2
Annualised net investment return	6.31%	(1.21%)

¹ Investments in minority stakes of unlisted companies

Net investment income of Corporate Funds was \$549 million, compared with net investment loss of \$104 million in Q1 2022. This was principally due to net fair value gains of \$195 million on the External Portfolio (as opposed to the net fair value losses of \$189 million in Q1 2022) and higher investment income from internally-managed Corporate Funds, reflecting higher deposit rates in 2023.

The fair value gains/(losses) on the External Portfolio came from funds invested in the following strategies:

Strategy	Q1 2023 \$m	Q1 2022 \$m
Diversifiers	84	17
Government Bonds and Mortgage-backed Securities	46	(57)
Public Equities	65	(149)
Total fair value gains/(losses)	195	(189)

As at 31 March 2023, the amounts invested in the External Portfolio amounted to \$6.5 billion, an increase of 3 per cent against 31 December 2022, reflecting fair value gains during the quarter. Further details of the amounts invested in the External Portfolio are as follows:

Strategy	At 31 Mar 2023 \$m	At 31 Dec 2022 \$m	Change
Diversifiers	4,012	3,943	2%
Government Bonds and Mortgage-backed Securities	1,383	1,340	3%
Public Equities	1,092	1,027	6%
Total	6,487	6,310	3%

Excluding HKEX Foundation charitable donation expenses, operating expenses increased by 10 per cent against Q1 2022 due to increased staff costs from payroll adjustments and higher headcount for strategic initiatives.

Business Update

In Q1 2023, the Group continued to play an active role in advancing the long-term sustainability of its business and global financial markets. Our Corporate Social Responsibility focus remained on our markets, our people and our operations. HKEX's promotion of good corporate governance and ESG stewardship, through industry knowledge-sharing, leadership on best practices and market education has been a cornerstone of our outreach during the quarter. Among our ongoing efforts to promote diversity, we took part in the global UN⁵ sponsored 'Ring the Bell for Gender Equality' campaign, with a market closing gong-strike ceremony, joining stock exchanges around the world to celebrate International Women's Day.

As part of our commitment to building a low-carbon economy, the Group continued to facilitate the carbon market development through Core Climate, enhance transparency and disclosures of sustainable-themed products through STAGE and drive education and active engagement with regulators, industry practitioners, professional bodies and other stakeholders.

HKEX Foundation, the Group's dedicated charitable channel, continued to bring positive change to the communities in which we operate through a range of different programmes. Through the Foundation, we launched the HKEX Impact Funding Scheme 2023, supporting social enterprises in the delivery of impactful projects in the areas of financial literacy, diversity and inclusion, poverty relief and environmental sustainability. In Q1 2023, the Foundation made charitable donations of \$27 million to various causes in the community.

FINANCIAL REVIEW

Financial Assets, Financial Liabilities and Net Investment Income of Margin Funds and Clearing House Funds

Margin Fund deposits of \$216.1 billion at 31 March 2023 were \$11.8 billion lower than at 31 December 2022 (\$227.9 billion). This was due to reduced contributions required from LME Clear members reflecting lower margin requirements from lower metal contract prices, partly offset by higher contributions from HKSCC CPs due to increased open positions in the Cash Market. Clearing House Fund contributions remained stable and amounted to \$21.7 billion at 31 March 2023, as compared with \$21.2 billion at 31 December 2022, as higher contributions required from OTC Clear, HKCC and LME Clear CPs were mostly offset by reduced contributions from HKSCC CPs, in response to changes in risk exposures. Funds received were invested in cash and cash equivalents and financial assets.

Net investment income of Margin Funds and Clearing House Funds increased by \$823 million compared with Q1 2022, reflecting the higher HKD and USD deposit rates in Q1 2023.

Further analysis on net investment income of Margin Funds and Clearing House Funds are set out below:

	Q1 2023				Total \$m
	HK Clearing Houses		LME Clear		
	Margin Funds \$m	Clearing House Funds \$m	Margin Funds \$m	Clearing House Funds \$m	
Net investment income from:					
- Cash and bank deposits	821	50	39	6	916
- Debt securities	41	23	2	-	66
- Exchange gains	4	-	-	-	4
Total net investment income	866	73	41	6	986
Average fund size (\$bn)	121.7	10.5	103.7	11.8	247.7
Annualised net investment return	2.85%	2.77%	0.16%	0.20%	1.59%

	Q1 2022				Total \$m
	HK Clearing Houses		LME Clear		
	Margin Funds \$m	Clearing House Funds \$m	Margin Funds \$m	Clearing House Funds \$m	
Net investment income from:					
- Cash and bank deposits	106	2	32	2	142
- Debt securities	14	-	4	-	18
- Exchange gains	3	-	-	-	3
Total net investment income	123	2	36	2	163
Average fund size (\$bn)	106.0	10.2	127.0	8.6	251.8
Annualised net investment return	0.46%	0.08%	0.11%	0.09%	0.26%

Net investment income of Margin Funds and Clearing House Funds are allocated to the following segments:

	Q1 2023 \$m	Q1 2022 \$m
Cash	43	5
Equity and Financial Derivatives	896	120
Commodities	47	38
Total net investment income	986	163

Capital Expenditure and Commitments

During Q1 2023, the Group incurred capital expenditure⁶ of \$240 million (Q1 2022: \$190 million), mainly related to the development and upgrade of various trading and clearing systems (notably trading and clearing systems for Commodities Market). The Group's capital expenditure commitments at 31 March 2023, including those authorised by the Board but not yet contracted for, amounted to \$971 million (31 December 2022: \$1,024 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems.

⁶ Exclude right-of-use assets recognised under HKFRS 16: Leases

Contingent Liabilities

At 31 March 2023, there were no significant changes in the Group's contingent liabilities compared with 31 December 2022, except the material litigation as described below.

At 31 March 2023, the LME and LME Clear have been named as defendants in two judicial review claims filed in the English High Court in 2022 (the JR Proceedings) and three related claims filed in the English High Court in 2023.

On 8 March 2022, the LME, in consultation with LME Clear, suspended trading in all nickel contracts with effect from 08:15 UK time, and cancelled all trades executed on or after 00:00 UK time on 8 March. This decision to suspend trading was taken because the nickel market had become disorderly. Cancellations were made retrospectively to take the market back to the last point in time at which the LME could be confident that the market was operating in an orderly manner. It should be stressed that the LME always acted in the interests of the market as a whole.

The JR Proceedings seek to challenge the LME's decision to cancel the claimants' alleged trades in nickel contracts executed on or after 00:00 UK time on 8 March 2022 (the Decision). The claimants have alleged that this was unlawful on public law grounds and/or constituted a violation of their human rights. The LME management is of the view that the claims are without merit and the LME is contesting them vigorously.

A further three claims were issued in the English High Court in March 2023, by claimants seeking damages for losses alleged to have been suffered as a result of the Decision, alleging that this was an unlawful interference with their human rights. It is expected that such claims will be case managed by being stayed pending the final determination of the JR Proceedings. The limitation period for similar damages claims under the Human Rights Act has now expired.

Based on the progress of the JR Proceedings, the LME does not currently have sufficient information to estimate the financial effect (if any) of the claims, the timing of the ultimate resolution of the proceedings, or what the eventual outcomes might be. Accordingly, no provision has been made in these condensed consolidated financial statements.

Pledges of Assets

LME Clear receives securities and gold bullion as non-cash collateral for margins posted by its CPs. The total fair value of this non-cash collateral was US\$2,284 million (HK\$17,929 million) at 31 March 2023 (31 December 2022: US\$619 million (HK\$4,831 million)). LME Clear is obliged to return this non-cash collateral upon request when the CPs' collateral obligations have been substituted with cash collateral or otherwise discharged. LME Clear is permitted to sell or pledge such collateral in the event of the default of a CP. Any non-cash collateral lodged at central securities depositories or custodians is subject to a lien or pledge for the services they provide in respect of the collateral held.

LME Clear also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$12,362 million (HK\$97,041 million) at 31 March 2023 (31 December 2022: US\$14,982 million (HK\$116,934 million)). Such non-cash collateral, together with certain financial assets amounting to US\$892 million (HK\$7,002 million) at 31 March 2023 (31 December 2022: US\$923 million (HK\$7,206 million)), have been pledged to LME Clear's investment agent and custodian banks under security arrangements for the settlement and depository services they provide in respect of the collateral and investments held.

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

Changes since 31 December 2022

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 2022.

It is the Group's practice to declare a dividend only at the half-year and year-end and no dividend will be proposed for Q1 2023 (Q1 2022: \$Nil).

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for Q1 2023.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Three months ended 31 Mar 2023 \$m	Three months ended 31 Mar 2022 \$m
Trading fees and trading tariffs	1,692	1,915
Clearing and settlement fees	1,069	1,234
Stock Exchange listing fees	418	561
Depository, custody and nominee services fees	191	226
Market data fees	267	268
Other revenue	378	394
Revenue	4,015	4,598
Net investment income	1,535	59
Donation income of HKEX Foundation	5	30
Sundry income	3	3
Revenue and other income	5,558	4,690
Less: Transaction-related expenses	(46)	(39)
Revenue and other income less transaction-related expenses	5,512	4,651
Operating expenses		
Staff costs and related expenses	(870)	(803)
IT and computer maintenance expenses	(189)	(172)
Premises expenses	(31)	(28)
Product marketing and promotion expenses	(25)	(33)
Professional fees	(68)	(32)
HKEX Foundation charitable donations	(27)	(23)
Other operating expenses	(93)	(87)
	(1,303)	(1,178)
EBITDA	4,209	3,473
Depreciation and amortisation	(365)	(354)
Operating profit	3,844	3,119
Finance costs	(35)	(36)
Share of profits less losses of joint ventures	20	25
Profit before taxation	3,829	3,108
Taxation	(393)	(445)
Profit for the period	3,436	2,663
Profit/(loss) attributable to:		
Shareholders of HKEX	3,408	2,668
Non-controlling interests	28	(5)
Profit for the period	3,436	2,663
Basic earnings per share	\$2.69	\$2.11
Diluted earnings per share	\$2.69	\$2.11

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 31 Mar 2023 \$m	Three months ended 31 Mar 2022 \$m
Profit for the period	3,436	2,663
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries	99	74
Cash flow hedges, net of tax	11	(9)
Changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	77	(111)
Other comprehensive income/(loss)	187	(46)
Total comprehensive income	3,623	2,617
Total comprehensive income/(loss) attributable to:		
Shareholders of HKEX	3,593	2,621
Non-controlling interests	30	(4)
Total comprehensive income	3,623	2,617

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	At 31 Mar 2023			At 31 Dec 2022		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Assets						
Cash and cash equivalents	173,681	-	173,681	184,965	-	184,965
Financial assets measured at fair value through profit or loss	6,355	793	7,148	6,177	787	6,964
Financial assets measured at fair value through other comprehensive income	16,408	-	16,408	14,962	-	14,962
Financial assets measured at amortised cost	68,628	213	68,841	70,285	209	70,494
Derivative financial instruments	68,915	-	68,915	80,718	-	80,718
Accounts receivable, prepayments and deposits	21,907	21	21,928	25,354	21	25,375
Tax recoverable	14	-	14	17	-	17
Interests in joint ventures	-	311	311	-	291	291
Goodwill and other intangible assets	-	19,079	19,079	-	18,968	18,968
Fixed assets	-	1,580	1,580	-	1,640	1,640
Right-of-use assets	-	1,558	1,558	-	1,604	1,604
Deferred tax assets	-	33	33	-	53	53
Total assets	355,908	23,588	379,496	382,478	23,573	406,051
Liabilities and equity						
Liabilities						
Derivative financial instruments	68,888	-	68,888	80,705	-	80,705
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	216,126	-	216,126	227,902	-	227,902
Accounts payable, accruals and other liabilities	18,266	-	18,266	19,054	-	19,054
Deferred revenue	924	330	1,254	1,076	333	1,409
Taxation payable	690	-	690	2,172	-	2,172
Other financial liabilities	32	-	32	40	-	40
CPs' contributions to Clearing House Funds	21,658	-	21,658	21,205	-	21,205
Lease liabilities	283	1,416	1,699	297	1,448	1,745
Borrowings	431	62	493	430	61	491
Provisions	83	107	190	67	90	157
Deferred tax liabilities	-	1,070	1,070	-	1,072	1,072
Total liabilities	327,381	2,985	330,366	352,948	3,004	355,952
Equity						
Share capital			31,918			31,918
Shares held for Share Award Scheme			(914)			(918)
Employee share-based compensation reserve			419			346
Hedging and revaluation reserves			(178)			(266)
Exchange reserve			(58)			(155)
Designated reserves			756			686
Reserve relating to written put options to non-controlling interests			(430)			(430)
Retained earnings			17,216			18,547
Equity attributable to shareholders of HKEX			48,729			49,728
Non-controlling interests			401			371
Total equity			49,130			50,099
Total liabilities and equity			379,496			406,051
Net current assets			28,527			29,530

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 2022.

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

In 2023, 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 2023:

Amendments to HKAS 1	Presentation of Financial Statements: Disclosure of Accounting Policies
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to HKAS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

The financial information relating to the year ended 31 December 2022 that is included in this Quarterly Results Announcement as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company will deliver the consolidated financial statements for the year ended 31 December 2022 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, 26 April 2023

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