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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 Codes: 388 (HKD Counter) and 80388 (RMB Counter)

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

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2024

HIGHLIGHTS

Bonnie Y CHAN, Chief Executive Officer said:

HKEX demonstrated its strength and resilience in the first quarter of the year. Despite a fragile global backdrop, the Group's derivatives and commodities business performed strongly – the former achieving record quarterly volumes. Whilst the cash market reflected broader macro sentiment and remained soft, there was a notable uptick in Headline ADT in March and April, indicating growing investor confidence. The Connect programmes, including Northbound Stock Connect and Bond Connect, saw significant growth in trading volumes, with Bond Connect reaching a fresh record for the quarter. Recent initiatives announced by the China Securities Regulatory Commission, such as the expansion of eligible ETFs and the inclusion of Real Estate Investment Trusts in Stock Connect, the addition of RMB-denominated stocks in Southbound Stock Connect, as well as supporting leading Mainland companies to list in Hong Kong, will further elevate the attractiveness of Hong Kong's capital markets. Looking ahead, despite the prevailing backdrop, we are optimistic about HKEX's ability to capitalise on the long-term growth of China, the considerable opportunities to connect with the fast-growing capital hubs of Southeast Asia and the Middle East, and the continuing exciting developments in technology in our industry and beyond.

Strategic Highlights

- Appointment of new Chief Executive Officer, Ms Bonnie Y Chan, with effect from 1 March 2024
- Record quarterly high for ADV of derivatives contracts traded
- Record quarterly high for ADT of Northbound Bond Connect
- Record quarterly highs for OTC total clearing volume and clearing volume under Swap Connect
- Introduction of Self-Match Prevention service in the Securities Market
- IPO pipeline remained healthy with 85 active applications as at 31 March 2024
- First batch of Covered Call ETFs launched
- Announcement of new LME organisational design to enhance transparency, accountability, operational resilience and effectiveness
- Average trading and clearing fee increment of 13 per cent, effective 1 January 2024, implemented by the LME and LME Clear
- New Closing Price methodology for five major contracts implemented by the LME, bringing greater determinism, transparency and standardisation
- List of funded projects under the HKEX Impact Funding Scheme 2023 announced by HKEX Foundation

Financial Highlights

- Q1 2024 revenue and other income of \$5,201 million was 6 per cent lower than Q1 2023 (a quarter which benefitted from the strong recovery of economic activity post-COVID), and was 7 per cent higher than Q4 2023:
 - Core business revenue was down 7 per cent against Q1 2023, reflecting lower trading and clearing fees from lower Headline ADT, lower net investment income from Margin Funds and Clearing House Funds, and lower listing fees. The decrease was partly offset by higher LME trading and clearing fees driven by both volume and fee increases.
 - Net investment income from Corporate Funds was \$535 million (Q1 2023: \$549 million), due to lower net fair value gains on the externally-managed investment funds (External Portfolio) (Q1 2024: \$169 million; Q1 2023: \$195 million).
- Operating expenses were 8 per cent higher than Q1 2023 (7 per cent lower than Q4 2023), attributable to higher staff costs, partly offset by lower professional fees and lower charitable donations made by HKEX Foundation.
- EBITDA margin¹ was 72 per cent, 4 percentage points lower than Q1 2023 (4 percentage points higher than Q4 2023).
- Profit attributable to shareholders was \$2,970 million, 13 per cent lower than Q1 2023 (14 per cent higher than Q4 2023).

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. EBITDA and EBITDA margin are non-HKFRS measures used by management for monitoring business performance and may not be comparable to similar measures presented by other companies.

Key Financials

	Q1 2024 \$m	Q1 2023 \$m	Change
Revenue and other income			
Core business revenue	4,657	5,004	(7%)
Donation income of HKEX Foundation	9	5	80%
Net investment income of Corporate Funds	535	549	(3%)
	5,201	5,558	(6%)
Operating expenses	1,411	1,303	8%
EBITDA (non-HKFRS measure)	3,705	4,209	(12%)
Profit attributable to shareholders	2,970	3,408	(13%)
Capital expenditure	278	240	16%
Basic earnings per share	\$2.35	\$2.69	(13%)

Key Market Statistics

	Q1 2024	Q1 2023	Change
ADT of equity products traded on the Stock Exchange ¹ (\$bn)	89.1	114.7	(22%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	10.3	13.1	(21%)
ADT traded on the Stock Exchange ^{1,2} (Headline ADT) (\$bn)	99.4	127.8	(22%)
ADT of Northbound Trading of Stock Connect ¹ (RMBbn)	133.0	97.0	37%
ADT of Southbound Trading of Stock Connect ¹ (\$bn)	31.0	37.5	(17%)
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	855 ⁴	753	14%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	645	665	(3%)
Chargeable ADV ³ of metals contracts traded on the LME ('000 lots)	659	503	31%
ADT of Northbound Bond Connect (RMBbn)	45.2 ⁴	37.0	22%

¹ Includes buy and sell trades under Stock Connect

² ADT of Southbound Trading is included within Headline ADT.

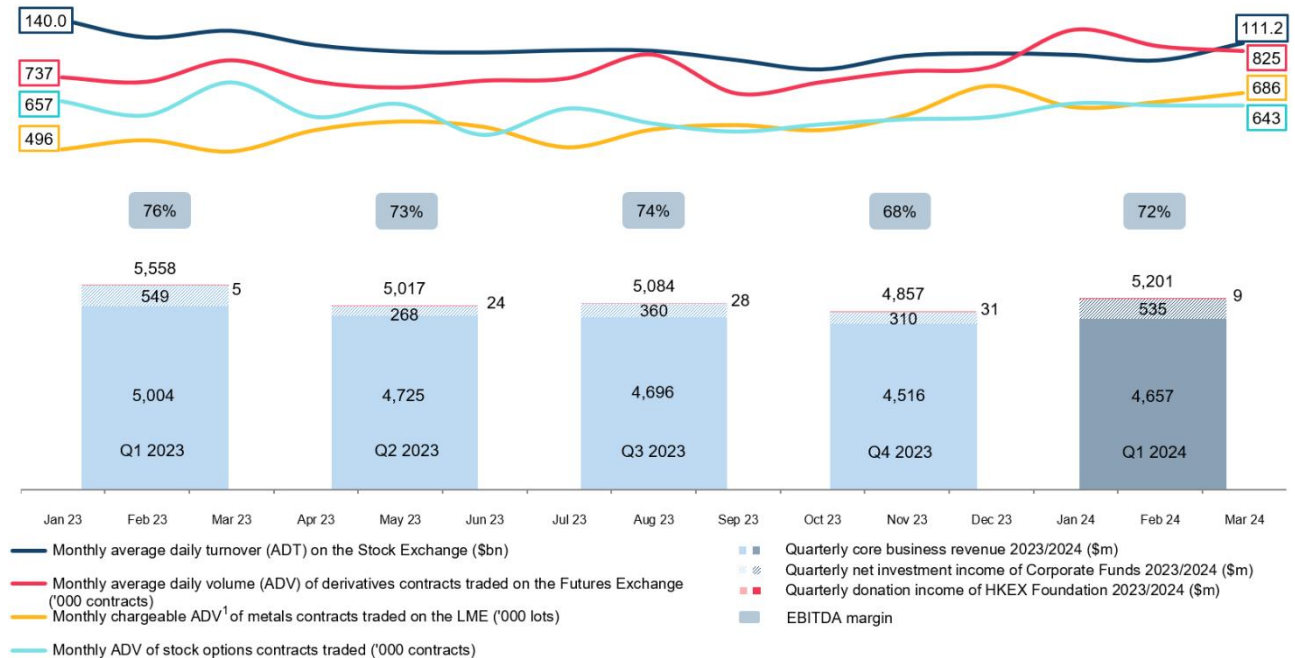
³ Chargeable ADV excludes administrative trades (Admin Trades).

⁴ New record quarterly high

BUSINESS REVIEW

Overview

Quarterly Results, Q1 2023 – Q1 2024



1 Chargeable ADV excludes administrative trades (Admin Trades).

Fig. 1 – Market activity and Group's² revenue and other income

HKEX continued to demonstrate its robustness and resiliency in Q1 2024, despite the overall weak market sentiment caused by the ongoing challenging macroeconomic and prolonged high interest rate environment. Cash Market Headline ADT was \$99.4 billion in Q1 2024, 9 per cent higher than Q4 2023, but 22 per cent lower than Q1 2023. However, the Group's Derivatives Market and Commodities Market sustained their growth trajectory and continued to perform strongly in Q1 2024. ADV of derivatives contracts traded reached a record quarterly high, up 12 per cent and 6 per cent compared with Q4 2023 and Q1 2023 respectively, while LME volumes also saw robust growth, with chargeable ADV up 6 per cent and 31 per cent from Q4 2023 and Q1 2023 respectively.

Revenue and other income for Q1 2024 was \$5.2 billion, 6 per cent lower than Q1 2023, reflecting lower trading and clearing fees from lower Headline ADT, lower Stock Exchange listing fees due to a lower number of newly listed DWs and CBBCs, and lower net investment income from a reduced Margin Fund size. The decrease was partly offset by the higher LME trading and clearing fees driven by both volume and fee increases. Compared with Q4 2023, revenue and other income in Q1 2024 was up by 7 per cent, attributable to higher trading and clearing fees from higher volumes across all markets, and the non-recurring losses on the valuation of the Group's unlisted equity investments of \$246 million recorded in Q4 2023.

Operating expenses were up 8 per cent against Q1 2023 but were 7 per cent lower than Q4 2023. Compared with Q1 2023, the increase was mainly due to higher staff costs arising from increase in headcount, payroll adjustments and one-off retirement benefits payable to senior management, partly offset by lower professional fees incurred for the nickel market incident, and lower charitable donations made by HKEX Foundation.

HKEX continued its efforts to work closely with the HKSAR Government's Task Force on Enhancing Stock Market Liquidity, driving discussion on ways to further enhance the attractiveness of Hong Kong's markets. A number of reform proposals are under study, and measures will be introduced in the future to improve the market mechanism and promote market development.

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 2024				Q1 2023			
	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m
Results by segment:								
Cash	1,881	(2)	1,879	1,582	2,127	(3)	2,124	1,853
Equity and Financial Derivatives	1,572	(83)	1,489	1,276	1,860	(43)	1,817	1,595
Commodities	673	-	673	363	506	-	506	215
Data and Connectivity	523	-	523	420	505	-	505	397
Corporate Items	552	-	552	64	560	-	560	149
	5,201	(85)	5,116	3,705	5,558	(46)	5,512	4,209

Cash Segment

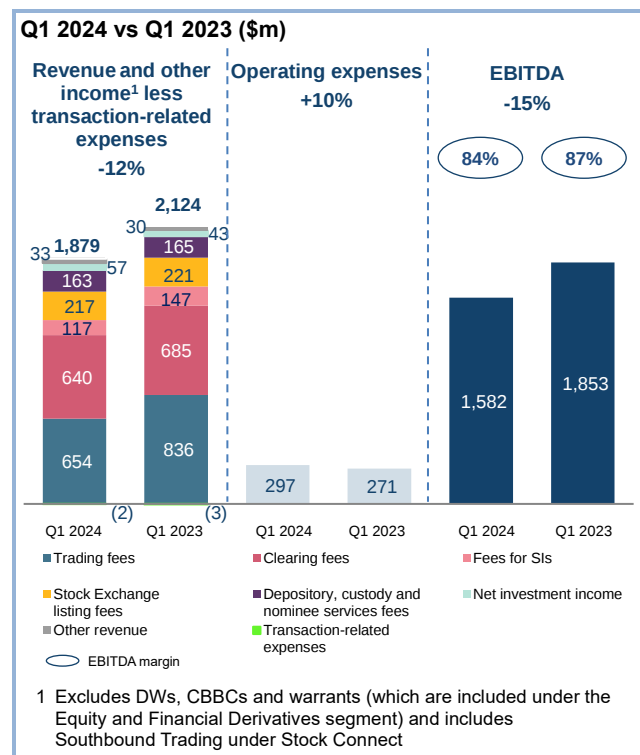
Analysis of Results

Revenue and other income, less transaction-related expenses, was down 12 per cent and EBITDA was down 15 per cent compared with Q1 2023, mainly due to the decrease in ADT of equity products traded.

Trading fees of equity products for Q1 2024 were \$654 million, a 22 per cent decrease compared with Q1 2023, in line with the decrease in ADT of equity products traded. Included in the fees were Northbound Stock Connect fees of \$111 million (Q1 2023: \$126 million) and Southbound Stock Connect fees of \$46 million (Q1 2023: \$56 million). Despite a 37 per cent increase in ADT, Northbound Stock Connect fees decreased by \$15 million due to a 30 per cent reduction in A-share trading fees effective 28 August 2023, as well as the depreciation of the RMB.

Clearing fees and fees for Settlement Instructions (SIs) for equity products decreased by 7 per cent and 20 per cent respectively, primarily due to lower fees from the lower number of transactions. The decrease in clearing fees was partly offset by higher clearing fees from Northbound Stock Connect of \$222 million (Q1 2023: \$182 million), attributable to higher Northbound ADT.

Operating expenses increased by 10 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 (2 per cent) from fewer forfeitures of initial public offerings (IPOs), compared with the decrease in listing fees of the Equity and Financial Derivatives segment (25 per cent) attributable to lower number of newly listed derivative warrants (DWs) and callable bull/bear contracts (CBBCs).



Business Update

Geopolitical tensions and macroeconomic volatility continued to challenge market sentiment in Q1 2024, with Headline ADT of \$99.4 billion, down by 22 per cent compared with Q1 2023.

Stock Connect operated smoothly during Q1 2024, with Northbound and Southbound ADT of RMB133.0 billion and \$31.0 billion respectively, generating revenue and other income of \$585 million (Q1 2023: \$564 million), of which \$425 million (Q1 2023: \$411 million) arose from trading and clearing activities. Driven by the expansion of eligible stocks under the Stock Connect programme with over 1,000 additional stocks eligible for Northbound Trading since March 2023, Northbound ADT recorded a year-on-year increase of 37 per cent.

HKEX introduced the Self-Match Prevention (SMP) service in the Securities Market in Q1 2024, and can be used by market participants to avoid unintentional self-trades. This demonstrates HKEX's commitment to enhancing market integrity and to encourage the use of diverse trading strategies to build a more resilient ecosystem.

The consultation period of Severe Weather Trading of Hong Kong Securities and Derivatives Markets ended on 26 January 2024. HKEX is in the process of consolidating the feedback it received from a wide range of respondents, with the aim to publish the consultation conclusions by mid-2024.

During Q1 2024, HKEX welcomed 12 new listings raising \$4.8 billion, down 28 per cent compared with Q1 2023. Listings in Q1 2024 covered a diverse portfolio of innovative companies and technology related industries. The initial public offering (IPO) pipeline remained healthy with 85 active applications as at 31 March 2024.

During Q1 2024, ADT of HKEX's Exchange Traded Products³ (ETPs) was \$13.3 billion, an 8 per cent decrease compared with Q1 2023, reflecting the resilience of the ETP market, while major indices in Hong Kong experienced a more substantial decline during the same period. The Hong Kong ETP product suite continued to expand, with seven new products in Q1 2024, including the first batch of Covered Call ETFs. These additions further enriched HKEX's product diversity, providing investors with more investment choices and reinforcing Hong Kong's role as Asia's ETF marketplace.

Key Market Indicators	Q1	
	2024	2023
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	89.1	114.7
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn)	64.4⁴	43.9
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn)	68.6	53.1
ADT of Southbound Trading – Shanghai-Hong Kong Stock Connect ² (\$bn)	17.5	18.0
ADT of Southbound Trading – Shenzhen-Hong Kong Stock Connect ² (\$bn)	13.5	19.5
ADT of Northbound Bond Connect (RMBbn)	45.2⁴	37.0
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000)	1,697	1,873
Average value per trade of equity products traded on the Stock Exchange (\$'000)	52.5	61.2
Average daily value of SIs for Stock Exchange trades (\$bn)	194.3	281.5
Average daily number of SIs for Stock Exchange trades ('000)	95	108
Average value per SI for Stock Exchange trades (\$'000)	2,055	2,602
Average daily value of SIs for Northbound Trading of Stock Connect (RMBbn)	23.6	26.3
Number of newly listed companies on the Main Board ³	12	18
Number of newly listed companies on GEM	-	-
Total equity funds raised		
- IPOs (\$bn)	4.8	6.7
- Post-IPO (\$bn)	25.6	27.0
Portfolio values of Northbound Trading of Stock Connect at 31 Mar (RMBbn)	2,125	2,519
Portfolio values of Southbound Trading of Stock Connect at 31 Mar (\$bn)	2,373	2,411
Number of companies listed on the Main Board at 31 Mar	2,285	2,265
Number of companies listed on GEM at 31 Mar	326	338
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 No transfer from GEM during Q1 2024 (Q1 2023: nil)		
4 New record quarterly high		

3 Include Exchange Traded Funds (ETFs) and Leveraged and Inverse Products (L&I Products)

As at 31 March 2024, there were 8 Southbound ETFs and 141 Northbound ETFs included in Stock Connect. ADT for Southbound ETFs during Q1 2024 was \$1.7 billion, and ADT for Northbound ETFs reached a quarterly record high of RMB1.1 billion in Q1 2024 and a new daily record high of RMB3.2 billion on 7 February 2024.

Northbound Bond Connect trading activity continued its overall growth momentum in Q1 2024, with ADT reaching a record quarterly high of RMB45.2 billion, representing a growth of 22 per cent year-on-year. In addition, the ADT in January 2024 reached a monthly record high of RMB48.7 billion, with net inflows also recording a monthly record high during the month, at RMB141.7 billion.

The Hong Kong listed bond market was steady in Q1 2024, with 80 new debt securities listed on the Stock Exchange, raising more than \$134 billion. Among these were 24 ESG-related bond listings, raising a total of \$34 billion. The total number of listed bonds reached 1,608 as at 31 March 2024, with their total amount outstanding exceeding \$5.3 trillion.

In Q1 2024, HKEX continued its efforts to promote transparency and a strong compliance culture across the business and its markets, with several initiatives, including:

Key initiatives on promoting market surveillance and compliance in Q1 2024

- Concluded the 2023 Annual Attestation and Inspection Programme, including completion of inspections of selected Exchange and Clearing Participants and review of their compliance questionnaires (700+ in total). The results and findings were announced to the market in April 2024.
 - Introduced enhancements to the surveillance system (including the implementation of new surveillance alerts and reports), and established application guidelines and requirements to strengthen the overall surveillance capabilities in supporting the launch of SMP in the Cash Market.
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On 12 April 2024, the Stock Exchange published consultation conclusions on Proposed Amendments to Listing Rules Relating to Treasury Shares to introduce a new treasury share regime giving issuers greater flexibility in managing capital structure through share buy-back and resale of treasury shares. The Rule amendments will take effect on 11 June 2024.

On 19 April 2024, the Stock Exchange published consultation conclusions on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework to enhance climate disclosures requirements based on IFRS S2 Climate-related Disclosures Standard⁴. In addition, the Stock Exchange published an implementation guidance containing references to IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information Standard⁴. The Rule amendments will take effect on 1 January 2025 with a phased approach.

During Q1 2024, the Stock Exchange published a “Review of Issuers’ Annual Reports 2023” on the findings and recommendations from the review of issuers’ annual reports for the 2022 financial year end, providing recommendations in financial reporting and controls, material lending transactions, financial statement disclosure and compliance with annual report disclosure requirements.

4 Published by the International Sustainability Standards Board of the IFRS Foundation

Equity and Financial Derivatives Segment

Analysis of Results

Revenue and other income, less transaction-related expenses, was down 18 per cent; and EBITDA was down 20 per cent compared with Q1 2023, mainly attributable to the decrease in the net investment income of Margin Funds from reduced fund size.

Trading fees of DWs, CBBCs and warrants were down 21 per cent compared with Q1 2023, in line with the decrease in ADT.

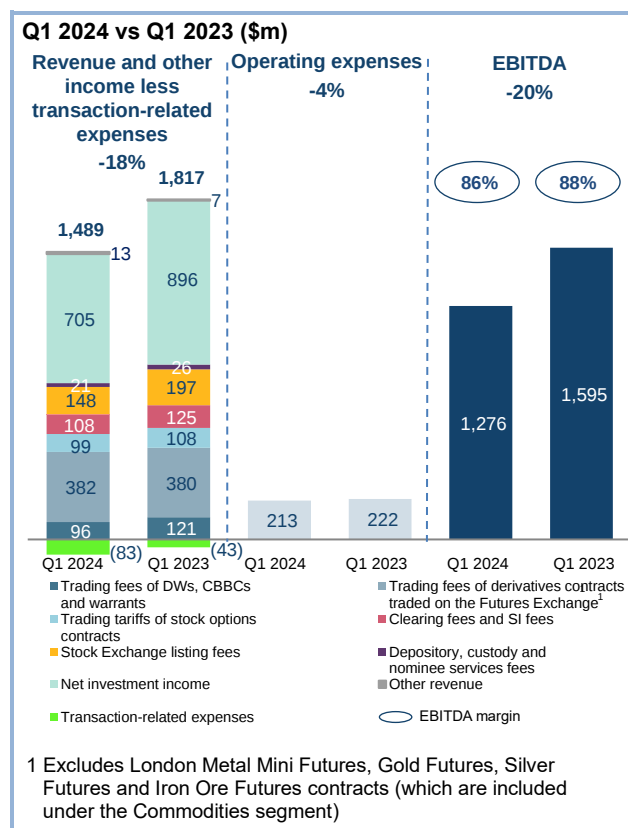
Futures Exchange derivatives trading fees⁵ increased by \$2 million, or 1 per cent. The positive impact from a higher number of derivatives contracts traded was mostly offset by lower average fees per contract in Q1 2024, attributable to higher discounts and rebates offered for certain contracts to attract volumes, and the increased popularity of lower-fee products such as Hang Seng TECH Index Futures.

Stock Exchange listing fees decreased by 25 per cent due to a decrease in the number of newly listed DWs and CBBCs compared with Q1 2023.

Net investment income decreased by \$191 million compared with Q1 2023, mainly attributable to a lower average Margin Fund size in Q1 2024.

Transaction-related expenses increased by \$40 million or 93 per cent, as higher incentives were paid for certain contracts to attract volume.

Operating expenses decreased by 4 per cent due to lower allocated costs of the Listing Division from a higher percentage decrease in listing fees (25 per cent) compared with the Cash segment (2 per cent).



⁵ Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

Business Update

The Hong Kong Derivatives Market sustained its growth trajectory in Q1 2024, with ADV of derivatives contracts traded on HKFE reaching a record quarterly high of 855,368⁵ contracts, 14 per cent higher than Q1 2023. RMB currency futures, Hang Seng TECH Index Futures and Hang Seng China Enterprises Index (HSCEI) Futures were the major contributors for the growth in Q1 2024.

A number of futures and options contracts reached single-day records in volume and open interest (OI) during the period:

<u>Single-day Trading Volume</u>		
	<u>Date (2024)</u>	<u>Number of contracts</u>
Hang Seng TECH Index Options	17 Jan	9,077
RMB Currency Futures – USD/CNH Futures	22 Mar	163,582
INR Currency Futures – INR/USD Futures	16 Feb	6,877
MSCI India Net Total Return (USD) Index Futures	5 Mar	4,067
MSCI India (USD) Index Futures	23 Jan	14,973

<u>Open Interest</u>		
	<u>Date (2024)</u>	<u>Number of contracts</u>
Hang Seng TECH Index Futures Options	14 Mar	119,381
Hang Seng TECH Index Options	27 Feb	77,275
Weekly HSCEI Options	8 Mar	17,410
Mini Hang Seng Index Futures	23 Jan	35,820
MSCI India Net Total Return (USD) Index Futures	15 Mar	12,042
MSCI Indonesia Net Total Return (USD) Index Futures	13 Mar	15,505

<u>Key Market Indicators</u>		
	Q1	
	2024	2023
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	10.3	13.1
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	230	357
ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts)	855 ³	753
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	645	665
Number of newly listed DWs	1,622	2,505
Number of newly listed CBBCs	5,882	6,913
Total notional values of newly listed securities:		
- DWs (\$bn)	27.1	43.2
- CBBCs (\$bn)	220.3	263.5
ADV of contracts traded during After-Hours Trading (AHT) ¹ ('000 contracts)	99	92
Number of trading days ²	61	61
	At	At
	31 Mar 2024	31 Mar 2023
Open interest of futures and options contracts ¹ ('000 contracts)	12,386	13,688
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 2023: 3)		
³ New record quarterly high		

Hang Seng TECH Index Futures and Options continued to trade actively in Q1 2024, with an aggregate ADV of 127,796 contracts, up 25 per cent on Q1 2023. Hang Seng TECH Index Options achieved a daily record high of 9,077 contracts on 17 January 2024 and the OI of the contract reached a daily record high of 77,275 contracts on 27 February 2024.

Physically-settled Options on Futures contracts sustained its growth momentum during Q1 2024. The aggregate ADV of the three products in the suite, namely Hang Seng Index Futures Options, HSCEI Futures Options and Hang Seng TECH Index Futures Options, was 49,127 contracts in Q1 2024, up 16 per cent on Q1 2023. In particular, Hang Seng TECH Index Futures Options posted several new daily records during Q1 2024. The aggregate OI of the three products was 841,134 contracts as at 31 March 2024, 6 per cent higher than 31 December 2023.

MSCI index derivatives strengthened in Q1 2024, with the notional values of OI of the MSCI Net Total Return Suite reaching a record high of USD4.6 billion on 15 March 2024. In addition, ADV of MSCI China A 50 Connect (USD) Index Futures reached 18,639 contracts, nearly double that of Q1 2023.

Short-dated index options, namely Weekly Hang Seng Index Options and Weekly HSCEI Options, continued to gain traction in Q1 2024. The aggregate ADV of the two Weekly index options products was 18,761 contracts in Q1 2024, up 14 per cent compared with Q1 2023.

The growth trajectory of the USD/CNH Futures market, which started in 2H 2023, continued in Q1 2024, with ADV reaching 74,505 contracts, more than six times that of Q1 2023 and up 7 per cent against Q4 2023. Starting from 29 March 2024, all currency futures and options contracts have been included in Derivatives Holiday Trading, supporting investors' foreign exchange risk management needs during Hong Kong holidays.

In March 2024, HKEX welcomed the 19th issuer joining Hong Kong's dynamic structured products market, providing a wider selection of products and brands for investors to manage their risk exposures.

Swap Connect continued its growth momentum, with the clearing volume reaching a new quarterly record high since its launch in May 2023. Enhanced services were rolled out in Q1 2024 to streamline the clearing process, and OTC Clear has been working with its onshore counterparts to enhance Swap Connect products and services. With significant contribution from Swap Connect, OTC Clear's clearing volume reached a record quarterly high of US\$196.2 billion in Q1 2024, up 152 per cent compared with Q1 2023.

The system development for the enhancements of SMP in the Derivatives Market has been completed in Q1 2024. To facilitate Exchange Participants' preparation for the enhancement, testing environment has been made available starting from 2 April 2024. Subject to market readiness and regulatory approval, the target rollout date of the enhancement will be in June 2024.

Commodities Segment

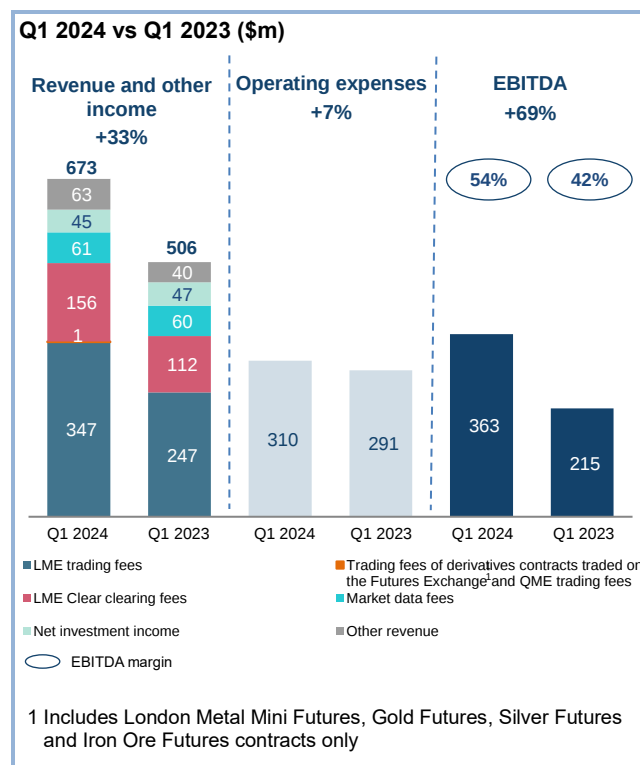
Analysis of Results

Revenue and other income was up 33 per cent and EBITDA was up 69 per cent compared with Q1 2023, due to higher trading and clearing fees.

LME trading fees and LME Clear clearing fees increased by 40 per cent and 39 per cent respectively, attributable to a 31 per cent increase in chargeable ADV of metal contracts traded, and the increase in trading and clearing fee tariff effective 1 January 2024.

Other revenue increased by \$23 million, mainly due to higher accommodation income collected from LME Clear Clearing Participants (CPs) on non-cash collateral, and higher LME financial over-the-counter booking fees.

Operating expenses rose by 7 per cent, attributable to higher staff costs from increased headcount and inflationary adjustments; partly offset by lower legal and professional fees incurred for the incident relating to the temporary trading suspension of the nickel market in March 2022.



Business Update

On 15 January 2024, the LME published an update on its responsible sourcing programme for LME-listed brands. The programme aims to ensure that the supply chains of brands traded on the LME respect human rights and do not contribute to conflict financing or corruption. As of 15 January 2024, 90 per cent of LME-listed brands have submitted appropriate compliance information, and the remaining 10 per cent would be suspended until they could comply with the requirements. The LME expects that a proportion of the suspended brands will be able to re-list in due course.

In Q1 2024, two new nickel brands were listed on the LME through the fast-track listing approach, further facilitating the building of liquidity in nickel contracts and making the contracts even more representative of global nickel production.

Key Market Indicators	Q1	
	2024 '000 lots	2023 '000 lots
ADV of metals contracts traded on the LME		
- Aluminium	260	201
- Copper	150	133
- Zinc	103	77
- Lead	74	50
- Nickel	61	35
- Others	11	7
Total chargeable ADV excluding Admin Trades ¹	659	503
Chargeable Admin Trades ¹	37	28
Total ADV	696	531
Number of trading days	63	64
	At 31 Mar 2024 '000 lots	At 31 Mar 2023 '000 lots
Total futures market open interest	1,913	1,581

¹ Admin Trades are chargeable at a lower trading fee rate of US\$0.04 and clearing fee rate of US\$0.02 per contract

On 5 March 2024, the LME set out its position on “green” nickel, and its proposed solution for establishing sustainability-related pricing differentials. The LME also outlined its broader efforts in driving improvement in sustainability practices across the industry and encouraged its market participants to share their views on the topic.

On 6 March 2024, the LME announced a new organisational design, introducing three focused business lines – Sustainability & Physical Markets, Market Data and Trading. The changes aim to enhance LME’s transparency, accountability, operational resilience and effectiveness. The LME and LME Clear are now working on a target operating model which will be implemented during 2024.

Additionally, the LME implemented a new Closing Price methodology for five major contracts during Q1 2024, bringing greater determinism, transparency and standardisation to the Closing Price discovery process.

On 19 March 2024, the LME announced its intention to list Jeddah as a new delivery point for copper and zinc, subject to a consultation on the LME’s warehouse location framework. The listing of Jeddah demonstrates the LME’s commitment to evolve the LME warehouse network, providing maximum global connectivity for the international metals community.

QME’s trading turnover amounted to RMB46.1 billion in Q1 2024, up 170 per cent compared with Q1 2023. QME will continue to work on its soybean initiatives, including promoting the bonded trading warehouse business.

Data and Connectivity Segment

Analysis of Results

Revenue and other income was up 4 per cent and EBITDA was up 6 per cent compared with Q1 2023.

Network fees rose by 5 per cent due to increased fees from the sale of new throttles.

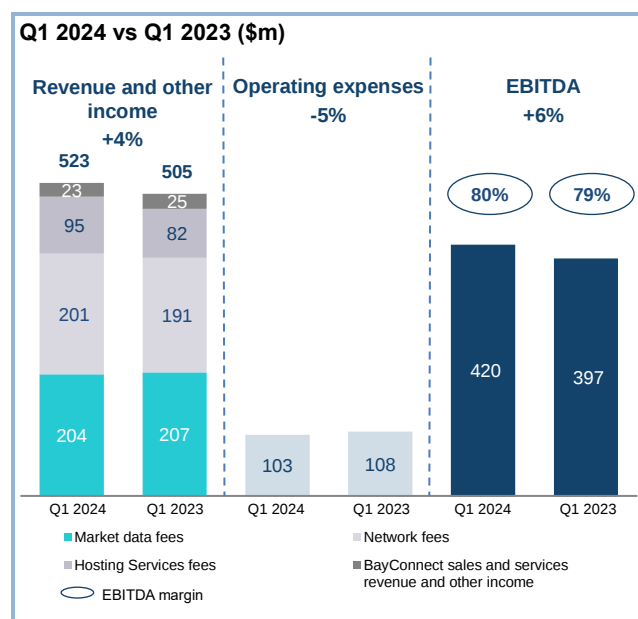
Hosting Services fees increased by 16 per cent due to growth in both new customer subscriptions and increased usage by existing customers.

Business Update

The Market Data Fees Pilot Programme, including Enterprise data package and Level 1 Mobile Application Services fee reduction rolled out in December 2023, has been well received by market. That reflects our efforts in supporting the retail investors in accessing securities market data, with an aim to facilitate retail participation in Hong Kong market.

HKEX rolled out four market data programmes as permanent packages in the Mainland China market with effect from 1 April 2024. These packages offer fixed fee model or discounted data fees on real-time securities streaming data for Mainland subscribers, supporting the growth of Stock Connect, and providing market data vendors greater certainty to plan for their long-term business development.

During Q1 2024, all HKEX’s major trading, clearing, settlement and market data dissemination systems for the Cash, Derivatives, Commodities and OTC Markets continued to perform robustly.



Corporate Items

Analysis of Results

	Q1 2024 \$m	Q1 2023 \$m
Net investment income	535	549
Donation income of HKEX Foundation	9	5
Others	8	6
Total revenue and other income	552	560
Operating expenses:		
- HKEX Foundation charitable donations	(6)	(27)
- Others	(482)	(384)
EBITDA	64	149

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

	Q1 2024 \$m	Q1 2023 \$m
Net investment income/(loss) from:		
- External Portfolio	169	195
- Cash and bank deposits (including foreign exchange swaps)	337	308
- Equity securities ¹	(4)	3
- Debt securities	26	9
- Exchange gains	7	34
Total net investment income	535	549
Average fund size (\$bn)	34.7	34.8
Annualised net investment return	6.16%	6.31%

¹ Investments in minority stakes of unlisted companies

Net investment income of Corporate Funds was \$535 million, 3 per cent lower than Q1 2023, due to lower net fair value gains on the External Portfolio in Q1 2024.

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

Strategy	Q1 2024 \$m	Q1 2023 \$m
Diversifiers	101	84
Government Bonds and Mortgage-backed Securities	(11)	46
Public Equities	79	65
Total fair value gains	169	195

As at 31 March 2024, the amount invested in the External Portfolio was \$6.9 billion. Further details of the amount invested in the External Portfolio are as follows:

Strategy	At 31 Mar 2024 \$m	At 31 Dec 2023 \$m	Change
Diversifiers	4,190	4,096	2%
Government Bonds and Mortgage-backed Securities	1,589	1,401	13%
Public Equities	1,117	1,071	4%
Total	6,896	6,568	5%

Excluding HKEX Foundation charitable donation expenses, operating expenses increased by \$98 million against Q1 2023 due to higher staff costs from payroll adjustments, increased headcount for strategic initiatives and one-off retirement benefits payable to senior management, and higher IT and maintenance costs on new or upgraded systems and inflationary adjustments on contract renewals.

Business Update

In Q1 2024, HKEX continued to play an active role in shaping the long-term sustainability of global financial markets and communities they support. As a market regulator, exchange operator and corporate, HKEX continued to focus on promoting good corporate governance and ESG stewardship through market education and industry knowledge sharing, facilitating a sustainable finance ecosystem through its platforms, and demonstrating leadership on best practices. As part of its commitment to diversity, HKEX once again supported the global UN-backed⁶ Ring the Bell for Gender Equality campaign through hosting a gong-strike ceremony, joining stock exchanges around the world to mark the International Women's Day.

HKEX Foundation, the Group's dedicated charitable channel, continued to bring positive change to the community through a range of impactful programmes. Through the HKEX Foundation, the Group announced the list of funded projects under the HKEX Impact Funding Scheme 2023, supporting charitable organisations to deliver innovative solutions focusing on financial literacy, diversity and inclusion, poverty relief and environmental sustainability.

FINANCIAL REVIEW

Net Investment Income of Margin Funds and Clearing House Funds

Net investment income of Margin Funds and Clearing House Funds decreased by \$179 million compared with Q1 2023, reflecting a lower average Margin Fund size in Q1 2024 due to reduced contributions required from HKCC and LME Clear CPs from lower margin requirements from lower contract prices.

⁶ United Nations - backed

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

	Q1 2024				Total \$m
	HK Clearing Houses		LME Clear		
	Margin Funds \$m	Clearing House Funds \$m	Margin Funds \$m	Clearing House Funds \$m	
Net investment income/(loss) from:					
- Cash and bank deposits (including foreign exchange swaps)	608	80	36	4	728
- Debt securities	50	25	4	1	80
- Exchange losses	(1)	-	-	-	(1)
Total net investment income	657	105	40	5	807
Average fund size (\$bn)	99.1	14.6	63.2	7.7	184.6
Annualised net investment return	2.65%	2.88%	0.25%	0.26%	1.75%

	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%

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

	Q1 2024 \$m	Q1 2023 \$m
Cash	57	43
Equity and Financial Derivatives	705	896
Commodities	45	47
Total net investment income	807	986

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

Margin Fund deposits of \$186.5 billion at 31 March 2024 were \$10.3 billion higher than 31 December 2023 (\$176.2 billion). This was attributable to increase in excess collateral placed by HKCC CPs and higher contributions from HKSCC CPs arising from increased Stock Connect Northbound Trading volume. Clearing House Fund contributions of \$19.9 billion at 31 March 2024 were \$2.1 billion lower than 31 December 2023 (\$22.0 billion), primarily due to reduced contributions from HKCC CPs in response to changes in risk exposures. Funds received were invested in cash and cash equivalents and financial assets.

Capital Expenditure and Commitments

During Q1 2024, the Group incurred capital expenditure⁷ of \$278 million (Q1 2023: \$240 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 2024, including those authorised by the Board but not yet contracted for, amounted to \$1,434 million (31 December 2023: \$1,555 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems (notably the new trading systems for the Derivatives Market).

Contingent Liabilities and Contingent Assets

The LME and LME Clear were named as defendants in two judicial review claims filed in the English High Court (the Court) in 2022 (the Proceedings) and three related claims filed in the Court in 2023. The total claims amount to approximately US\$600 million.

The Proceedings sought 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 claimants have alleged that this was unlawful on public law grounds and/or constituted a violation of their human rights.

On 29 November 2023, the Court gave judgment in the LME and LME Clear's favour on all grounds, and ordered the claimants to pay the LME and LME Clear's costs of the Proceedings, which are to be assessed by the Court if not agreed with the claimants.

One of the claimants has sought and been granted permission to appeal. The appeal has been scheduled to be heard by the Court of Appeal during 2024. The LME management is of the view that the appeal is without merit and LME and LME Clear will contest it vigorously.

The three related claims issued in March 2023 remain stayed, pending the final determination of the Proceedings. The limitation period for similar damages claims under the Human Rights Act has now expired.

In light of the judgement of the Court, no provision has been made in the condensed consolidated financial statements of the Group.

The Group has not recognised any recovery of costs of the Proceedings as receivables in the condensed consolidated financial statements as the amount is still subject to negotiation with the claimants.

Subsequent to period end in April 2024, the Court ordered the claimants to make an interim payment of GBP5 million to the LME and LME Clear to cover part of their costs of the Proceedings. The final amount with respect to recovery of costs will be assessed by the Court if not agreed with the claimants following the conclusion of the appeal.

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

Pledges of Assets

LME Clear receives securities and gold bullion as non-cash collateral for margins posted by its CPs. The total fair value of this non-cash collateral was US\$3,270 million (HK\$25,592 million) at 31 March 2024 (31 December 2023: US\$3,748 million (HK\$29,266 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\$9,087 million (HK\$71,119 million) at 31 March 2024 (31 December 2023: US\$9,095 million (HK\$71,019 million)). Such non-cash collateral, together with certain financial assets amounting to US\$934 million (HK\$7,310 million) at 31 March 2024 (31 December 2023: US\$1,102 million (HK\$8,604 million)), have been pledged to LME Clear's investment agents 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 in the condensed consolidated statement of financial position of the Group.

Changes since 31 December 2023

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 2023.

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 2024 (Q1 2023: \$Nil).

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for Q1 2024.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Three months ended 31 Mar 2024 \$m	Three months ended 31 Mar 2023 \$m
Trading fees and trading tariffs	1,579	1,692
Clearing and settlement fees	1,021	1,069
Stock Exchange listing fees	365	418
Depository, custody and nominee services fees	184	191
Market data fees	265	267
Other revenue	433	378
Revenue	3,847	4,015
Net investment income	1,342	1,535
Donation income of HKEX Foundation	9	5
Sundry income	3	3
Revenue and other income	5,201	5,558
Less: Transaction-related expenses	(85)	(46)
Revenue and other income less transaction-related expenses	5,116	5,512
Operating expenses		
Staff costs and related expenses	(1,008)	(870)
Information technology and computer maintenance expenses	(205)	(189)
Premises expenses	(30)	(31)
Product marketing and promotion expenses	(27)	(25)
Professional fees	(45)	(68)
HKEX Foundation charitable donations	(6)	(27)
Other operating expenses	(90)	(93)
	(1,411)	(1,303)
EBITDA (non-HKFRS measure)	3,705	4,209
Depreciation and amortisation	(345)	(365)
Operating profit	3,360	3,844
Finance costs	(30)	(35)
Share of profits less losses of joint ventures	26	20
Profit before taxation	3,356	3,829
Taxation	(355)	(393)
Profit for the period	3,001	3,436
Profit attributable to:		
Shareholders of HKEX	2,970	3,408
Non-controlling interests	31	28
Profit for the period	3,001	3,436
Basic earnings per share	\$2.35	\$2.69
Diluted earnings per share	\$2.34	\$2.69

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 31 Mar 2024 \$m	Three months ended 31 Mar 2023 \$m
Profit for the period	3,001	3,436
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries	26	99
Cash flow hedges, net of tax	(4)	11
Changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(30)	77
Other comprehensive (loss)/income	(8)	187
Total comprehensive income	2,993	3,623
Total comprehensive income attributable to:		
Shareholders of HKEX	2,963	3,593
Non-controlling interests	30	30
Total comprehensive income	2,993	3,623

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	At 31 Mar 2024			At 31 Dec 2023		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Assets						
Cash and cash equivalents	135,899	-	135,899	125,107	-	125,107
Financial assets measured at fair value through profit or loss	6,678	606	7,284	6,357	604	6,961
Financial assets measured at fair value through other comprehensive income	21,727	-	21,727	18,250	-	18,250
Financial assets measured at amortised cost	63,688	1,686	65,374	74,984	1,665	76,649
Derivative financial instruments	56,689	-	56,689	58,127	-	58,127
Accounts receivable, prepayments and deposits	30,171	19	30,190	33,313	19	33,332
Tax recoverable	51	-	51	64	-	64
Interests in joint ventures	-	378	378	-	352	352
Goodwill and other intangible assets	-	19,369	19,369	-	19,279	19,279
Fixed assets	-	1,502	1,502	-	1,553	1,553
Right-of-use assets	-	1,443	1,443	-	1,484	1,484
Deferred tax assets	-	26	26	-	21	21
Total assets	314,903	25,029	339,932	316,202	24,977	341,179
Liabilities and equity						
Liabilities						
Derivative financial instruments	56,709	-	56,709	58,100	-	58,100
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants	186,471	-	186,471	176,165	-	176,165
Accounts payable, accruals and other liabilities	21,066	-	21,066	27,849	-	27,849
Deferred revenue	915	304	1,219	1,060	307	1,367
Taxation payable	525	-	525	639	-	639
Other financial liabilities	830	-	830	29	-	29
Participants' contributions to Clearing House Funds	19,906	-	19,906	21,955	-	21,955
Lease liabilities	270	1,289	1,559	270	1,334	1,604
Borrowings	382	66	448	382	65	447
Provisions	88	108	196	62	113	175
Deferred tax liabilities	-	1,046	1,046	-	1,053	1,053
Total liabilities	287,162	2,813	289,975	286,511	2,872	289,383
Equity						
Share capital			31,946			31,946
Shares held for Share Award Scheme			(1,008)			(1,009)
Employee share-based compensation reserve			485			373
Hedging and revaluation reserves			(178)			(144)
Exchange reserve			(141)			(168)
Designated reserves			1,115			1,018
Reserve relating to written put options to non-controlling interests			(395)			(395)
Retained earnings			17,651			19,723
Equity attributable to shareholders of HKEX			49,475			51,344
Non-controlling interests			482			452
Total equity			49,957			51,796
Total liabilities and equity			339,932			341,179
Net current assets			27,741			29,691

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 2023.

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

In 2024, 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 2024:

Amendments to Hong Kong Accounting Standard (HKAS) 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Presentation of Financial Statements: Non-current Liabilities with Covenants

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

During Q1 2024, the estimated useful lives of computer trading and clearing software were revised from "three to five years" to "three to ten years" to better reflect the useful life of the assets. The effect of the change in the accounting estimate in Q1 2024 was a decrease of depreciation charge of less than \$1 million.

The financial information relating to the year ended 31 December 2023 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 2023 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
Timothy Tsang
Group Company Secretary

Hong Kong, 24 April 2024

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 HUNG Pi Cheng, Benjamin, Ms LEUNG Nisa Bernice Wing-Yu, Mr LEUNG Pak Hon, Hugo, Mr Carlson TONG, Mr YAM Chi Kwong, Joseph and Mr ZHANG Yichen, and one Executive Director, Ms CHAN Yiting, Bonnie, who is also the Chief Executive of HKEX.