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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 unless otherwise stated)

**QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

The Board¹ is pleased to present the unaudited consolidated results of the Group² for the nine months ended 30 September 2018.

Commenting on the results, Charles Li, Chief Executive, HKEX, said: "This has been another excellent quarter for the Group, and I am delighted to report record revenue and profit for the nine-month period. These results reflect the continued role that HKEX plays as the world's centre for IPOs and as Asia's most vibrant and liquid capital market. Despite global macro economic and political headwinds, we look forward to the rest of the year with confidence."

FINANCIAL HIGHLIGHTS

Financial figures are expressed in \$million (\$m) unless otherwise stated

	YTD Q3 2018 \$m	YTD Q3 2017 \$m	Change
Revenue & other income	12,296	9,657	27%
Operating expenses	2,943	2,598	13%
EBITDA ³	9,353	7,059	32%
Profit attributable to shareholders	7,484	5,526	35%
Basic earnings per share	\$6.03	\$4.51	34%

- HKEX reported a record nine-month period, with its highest ever revenue & other income and profit for YTD Q3 2018⁴.
- Revenue & other income for YTD Q3 2018 was 27 per cent higher than the prior period, mainly driven by:
 - An increase in trading and clearing fees resulting from increases in Cash Market turnover and Derivatives Market trading volume; and
 - Record listing fees from both an increase in the number of listed companies, and newly listed Derivative Warrants (DWs) and Callable Bull/Bear Contracts (CBBCs).
- Operating expenses increased by 13 per cent against YTD Q3 2017, attributable to increases in staff costs, IT costs and premises expenses.
- EBITDA margin of 76 per cent for YTD Q3 2018 was 3 per cent higher than YTD Q3 2017.
- Profit attributable to shareholders for YTD Q3 2018 rose by 35 per cent to a record high of \$7,484 million.

	YTD Q3 2018	YTD Q3 2017	Change
KEY MARKET STATISTICS			
ADT of equity products traded on the Stock Exchange (\$bn)	91.2*	66.5	37%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	23.5	15.5	52%
ADT of the Stock Exchange (Headline ADT) (\$bn)	114.7	82.0	40%
ADV of derivatives contracts traded on the Futures Exchange (contracts)	663,673*	426,978	55%
ADV of stock options contracts traded on the Stock Exchange (contracts)	533,972*	396,491	35%
ADV of metals contracts traded on the LME (lots)	748,960	618,871	21%

* New record high for YTD Q3

1 The board of directors of Hong Kong Exchanges and Clearing Limited (HKEX or the Company)
 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 (SEOCH), OTC Clearing Hong Kong Limited (OTC Clear), The London Metal Exchange (LME), LME Clear Limited (LME Clear) and other subsidiaries
 3 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.
 4 Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, 1H = first half, 2H = second half, YTD Q3 = nine months ended 30 September, YTD Q3 2017 or the prior period = nine months ended 30 September 2017, YTD Q3 2018 or the period = nine months ended 30 September 2018

BUSINESS REVIEW

Overview

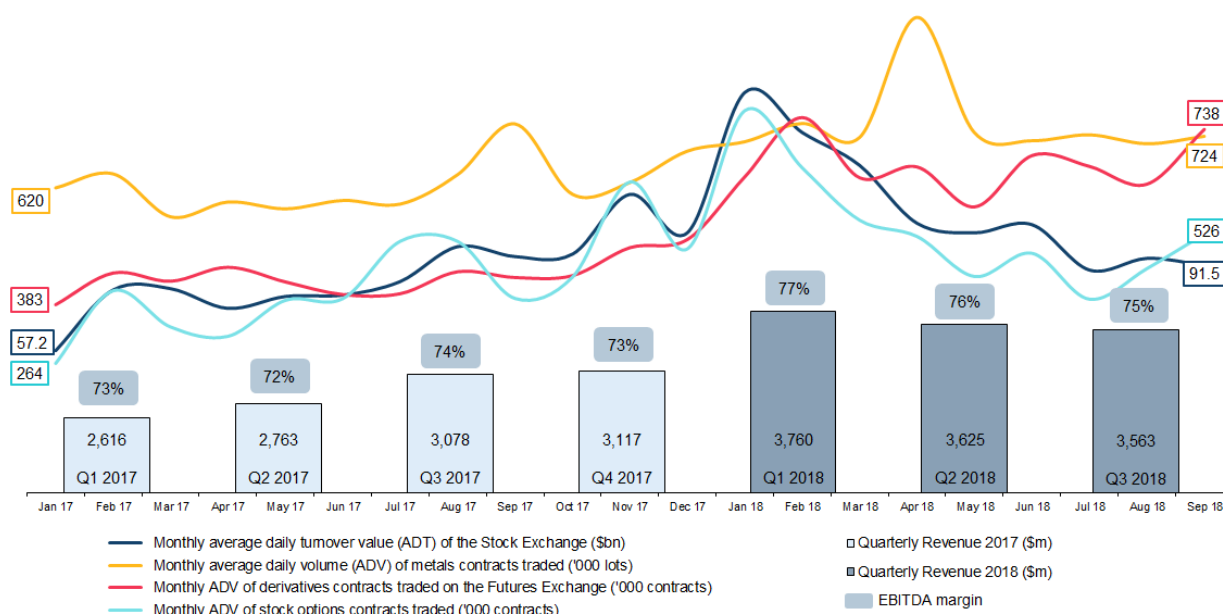


Fig. 1 – Market activity and Group Revenue⁵

This has been a very positive quarter for the Group despite weakening market sentiment, amid increased uncertainties and concerns over the trade war between the United States of America and China, and the weakening economic outlook of China. Overall, revenue and other income for Q3 2018 was 1 per cent higher than Q2 2018. Increases in net investment income from Margin Funds, increases in fair value gains of collective investment schemes and higher Stock Exchange listing fees more than offset the drop in Cash Market trading and clearing revenue and the seasonal decrease in depository, custody and nominee services fees.

Cash Market headline ADT⁶ in Q3 2018 dropped to \$91.9 billion, 14 per cent below Q2 2018, and Northbound ADT dropped from its record quarterly high in Q2 2018 by 5 per cent to RMB19.4 billion despite the second round of MSCI Inc. (MSCI) inclusion of A shares. However, trading volumes on the Derivatives Market remained steady in Q3 2018, with ADV of derivatives contracts traded increasing by 1 per cent against Q2 2018.

For YTD Q3 2018, revenue and other income increased by 27 per cent compared with YTD Q3 2017 to a record high of \$12,296 million. This was driven by strong Cash Market headline ADT⁶ and ADV in our Derivatives Market, and higher Stock Exchange listing fees arising from record high number of newly listed DWs and CBBCs and IPOs.

Operating expenses for YTD Q3 2018 increased by 13 per cent against the prior period. This primarily reflects an increase in staff costs due to increased headcount, annual payroll adjustments and higher variable pay accruals, higher premises expenses for new offices, and increased maintenance expenses for new IT systems and upgraded networks. In view of the current macro economic backdrop, the Group continues to maintain a prudent approach to cost management whilst investing in key strategic initiatives for future growth.

⁵ Excludes net investment income and sundry income

⁶ ADT of equity products, DWs, CBBCs and warrants traded on the Stock Exchange

Business Update and Analysis of Results by Operating Segment

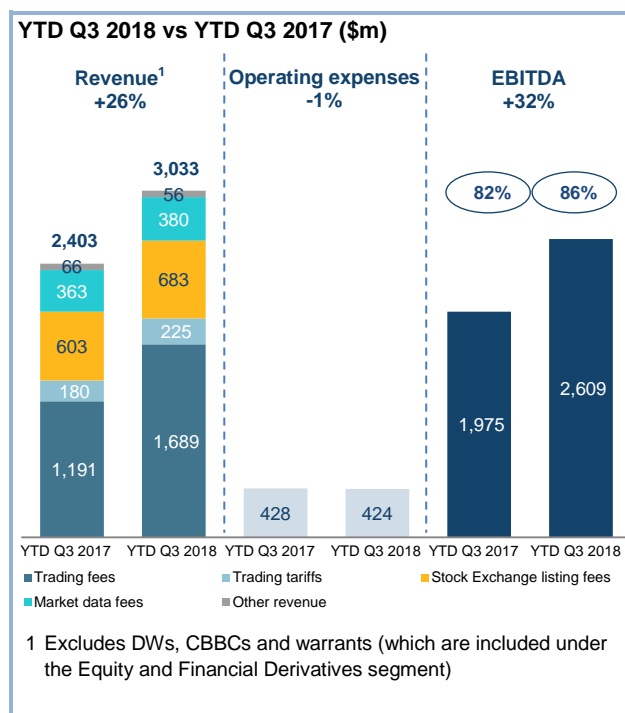
	YTD Q3 2018		YTD Q3 2017		Change	
	Revenue and other income \$m	EBITDA \$m	Revenue and other income \$m	EBITDA \$m	Revenue and other income %	EBITDA %
Results by segment:						
Cash	3,033	2,609	2,403	1,975	26%	32%
Equity and Financial Derivatives	2,591	2,171	1,540	1,196	68%	82%
Commodities	1,077	559	1,096	652	(2%)	(14%)
Clearing	4,741	4,136	3,578	2,991	33%	38%
Platform and Infrastructure	507	382	424	312	20%	22%
Corporate Items	347	(504)	616	(67)	(44%)	652%
	12,296	9,353	9,657	7,059	27%	32%

Cash Segment

Analysis of Results

Trading fees increased by 42 per cent compared with YTD Q3 2017, ahead of the comparable 37 per cent growth in equity products ADT. This was primarily due to higher fees from new equities funds raised, increases in income from Stock Connect, and an improvement in product mix - with a drop in the proportion of ETF trades (of which approximately 50 per cent were conducted by market makers who are exempted for trading fees). Trading tariffs rose by 25 per cent, constrained by an increase in average transaction size.

Stock Exchange listing fees rose by \$80 million, attributable to a \$41 million increase in annual listing fees from a higher number of listed companies; and a \$38 million increase in initial listing fees due to both more newly listed companies and more forfeitures than YTD Q3 2017.



Operating expenses fell by 1 per cent due to cost savings associated with the conversion of the former HKEX trading hall into a multi-purpose function space - the HKEX Connect Hall. The related operating costs are now recorded under Corporate Items.

Business Update

Equities

Market sentiment and level of trading activities in Q3 2018 continue to reflect the broader macro environment. Headline ADT for Q3 2018 decreased 14 per cent versus Q2 2018, and was 1 per cent below that recorded in Q3 2017. The decline in trading activities against Q2 2018 was in line with most global and Asia-Pacific exchanges.

On 20 August 2018, Shanghai Stock Exchange (SSE) introduced a closing call auction session on its stocks. HKEX worked with SSE to facilitate our China Connect Exchange Participants' preparation for the new mechanism, which allows them to trade SSE Securities at closing price via Stock Connect. Northbound Trading during the closing call auction session has been smooth since the rollout.

The second tranche of the initial phase of China A share inclusion into the MSCI Emerging Markets Index and All Country Index (MSCI Indices) was successfully implemented after 31 August 2018. Northbound Trading activities as a percentage of Shanghai and Shenzhen market turnover reached record high on 31 August 2018 (6.3 per cent).

Capitalising on the successes of initial inclusions, MSCI announced on 25 September 2018 the launch of a consultation on further weighted increases in A shares in the MSCI Indices, from 5 per cent to 20 per cent. On 26 September 2018, FTSE Russell also announced their decision to include, at an initial phase of 25 per cent, China A shares into its global benchmark indices from June 2019. If materialised, both index events are expected to further stimulate Northbound turnover and underpin the success of the Stock Connect programme in offering increased access for overseas investors.

Investor identification model for Northbound Trading (NB Investor ID Model) was successfully implemented on 26 September 2018. Under the Model, Exchange Participants (EPs) that offer Northbound Trading services are required to assign a unique number in a standard format to each of their Northbound Trading clients, and provide the corresponding information to HKEX, which will forward the information to Mainland exchanges for registration purpose. HKEX enhanced the SMARTS trade surveillance systems to support the launch of the NB Investor ID Model. Implementation of the Model is expected to result in more efficient Hong Kong-Mainland cross-border market surveillance.

Both Northbound and Southbound Trading for Stock Connect has demonstrated strong momentum in 2018, with the Northbound boosted by the inclusion of A shares in the MSCI Indices in May and August. Northbound ADT was RMB19.6 billion and Southbound ADT was \$14.1 billion in YTD Q3 2018, representing an increase of 148 per cent and 62 per cent from YTD Q3 2017 respectively. Stock Connect generated total revenue and other income of \$521 million in YTD Q3 2018 (YTD Q3 2017: \$277 million), of which \$319 million (YTD Q3 2017: \$153 million) arose from trading and clearing activities.

Key Market Indicators	YTD Q3	
	2018	2017
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	91.2 ⁴	66.5
ADT of Northbound Trading ² – Shanghai-Hong Kong Stock Connect (RMBbn)	11.1 ⁴	4.7
ADT of Northbound Trading ² – Shenzhen-Hong Kong Stock Connect (RMBbn)	8.5 ⁴	3.2
ADT of Northbound Trading – Bond Connect ⁵ (RMBbn)	3.7	1.9
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2}	1,273,114	1,002,739
Number of newly listed companies on the Main Board ³	99 ⁴	59
Number of newly listed companies on GEM	67 ⁴	55
Total equity funds raised		
- IPOs (\$bn)	243.1 ⁴	87.6
- Post-IPOs (\$bn)	204.2	229.0
Number of companies listed on the Main Board at 30 Sept	1,885	1,765
Number of companies listed on GEM at 30 Sept	383	304
Number of trading days	184	185
<p>1 Excludes DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment) and includes \$9.1 billion⁴ (YTD Q3 2017: \$6.9 billion) of ADT of Southbound Trading under Shanghai-Hong Kong Stock Connect and \$5.0 billion⁴ (YTD Q3 2017: \$1.8 billion) under Shenzhen-Hong Kong Stock Connect</p> <p>2 Includes buy and sell trades under Stock Connect</p> <p>3 Includes 8 transfers from GEM (YTD Q3 2017: 8)</p> <p>4 New record high for YTD Q3</p> <p>5 Bond Connect was launched on 3 July 2017.</p>		

HKEX and the Mainland Exchanges have formed a working group to discuss the inclusion of eligible weighted voting rights (WVR) companies into Stock Connect Southbound Trading.

HKEX continues to remain competitive as the leading worldwide IPO venue. Following the listing regime reform launched in April 2018, HKEX ranked first in terms of total IPO funds raised globally at US\$30.7 billion in YTD Q3 2018. Two WVR companies and three pre-revenue biotech companies listed in Q3 2018 under the new listing chapters.

HKEX co-organised “Venture” with industry association and professional tech conference organisers, bringing together 350+ venture capitalists and entrepreneurs to discuss the latest developments and investment opportunities in technology at HKEX Connect Hall.

As part of HKEX’s continuous effort to promote the industry’s compliance culture, HKEX hosted 3 compliance roundtables in Q3 2018 with the industry on market and regulatory issues and challenges, focusing on MSCI A share inclusion and NB Investor ID Model under Stock Connect.

During Q3 2018, the Stock Exchange published the following consultation papers to seek market views:

	Consultation deadline
• Review Structure in relation to Listing Committee Decisions	12 October 2018 ¹
• Proposal relating to Listed Issuers with Disclaimer or Adverse Audit Opinion on Financial Statements	30 November 2018

¹ The Stock Exchange is currently reviewing and analysing the responses to the consultation paper.

On 17 August 2018, the Stock Exchange published conclusions to the consultation paper on “Proposed Exemption for Aircraft Leasing Activities”. The Listing Rules were amended to exempt qualified aircraft leasing activities from the notifiable transaction rules. The amendments took effect on 15 October 2018.

On 24 August 2018, the Stock Exchange published frequently asked questions on the listing regime for companies from emerging and innovative sectors to assist potential listing applicants and their professional advisers when considering listing under the new listing chapters.

Bonds

Market participation in Bond Connect has been growing steadily, with ADT reaching RMB4.1 billion in Q3 2018, a 52 per cent increase compared with Q1 2018. In addition, the number of approved overseas institutional investors participating in Bond Connect continued to increase. As of 30 September 2018, there were 445 approved investors from over 20 jurisdictions, compared with 247 as of 31 December 2017. Meanwhile, overall foreign holdings in China’s interbank bond market reached RMB1,689 billion at the end of September 2018, more than double the size since the launch of Bond Connect.

In August 2018, Bond Connect upgraded its settlement system to fully implement real-time delivery-versus-payment (RDVP), which will further enhance the efficiency and security of Bond Connect’s settlement services. In the same month, Bond Connect also launched a block trade allocation service, which allows asset managers to allocate block trades to multiple client accounts prior to trading. These developments are expected to accelerate the participation in Bond Connect by global asset managers and investors.

Equity and Financial Derivatives Segment

Analysis of Results

Driven by increased volatility in 2018, derivatives trading fees of the Futures Exchange rose by 69 per cent compared to YTD Q3 2017 due to a 55 per cent increase in ADV of derivatives contracts traded, and a higher proportion of contracts traded in 2018 being higher fee contracts including Hang Seng Index (HSI) products.

Trading fees and trading tariffs of DWs, CBBCs and warrants rose by 63 per cent compared with YTD Q3 2017, reflecting the 52 per cent increase in ADT, a decrease in average transaction size - which led to a higher increase in trading tariff income, and higher fees from new issues of DWs and CBBCs.

Stock Exchange listing fees rose by 83 per cent reflecting the record number of newly listed DWs and CBBCs during YTD Q3 2018.

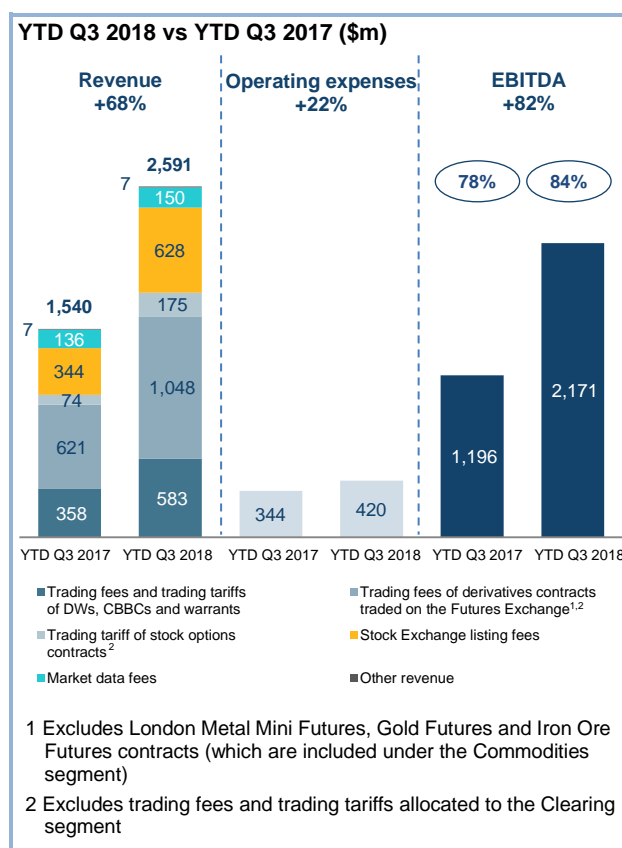
Operating expenses increased by 22 per cent due to higher allocated costs of the Listing Division, arising from the proportionately higher increase in listing fees from DWs and CBBCs compared with equities; and higher index licence fees attributable to increased volume in derivatives contracts traded.

Business Update

ADV of derivatives contracts⁷ traded in Q3 2018 increased by 1 per cent against Q2 2018, and increased by 25 per cent against Q3 2017 due to increased volatility.

The trading volume of Equity Index Derivatives in the After-Hours Trading (T+1) Session continued to grow, with ADV reaching 77,850 contracts in YTD Q3 2018, 164 per cent increase as compared to the full year of 2017.

Smooth operations and positive market feedback were observed after HKEX implemented phase 2 of the after-hours trading enhancement by introducing options products in the T+1 Session on 14 May 2018. In response to initial market



Key Market Indicators	YTD Q3	
	2018	2017
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	23.5	15.5
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange	374,920 ²	183,767
ADV of derivatives contracts traded on the Futures Exchange ¹	662,274 ²	426,723
ADV of stock options contracts traded on the Stock Exchange	533,972 ²	396,491
Number of newly listed DWs	9,133 ²	5,482
Number of newly listed CBBCs	19,520 ²	8,531
ADV of contracts traded during After-Hours Trading ¹	80,105 ²	27,785
Number of trading days	184	186
	At	At
	30 Sept 2018	30 Sept 2017
Open interest of futures and options contracts ¹	12,521,473	11,914,168

1 Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures contracts (which are included under the Commodities segment)
2 New record high for YTD Q3

⁷ Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

feedback on liquidity provision, HKEX actively recruited new market makers and options product ADV in the T+1 Session increased to 4,800 contracts in Q3, as compared to 1,753 contracts in Q2, with historical high volume of 17,871 contracts on 15 August 2018. HKEX will continue to implement initiatives to provide liquidity and efficient price discovery throughout the T+1 Session.

The following record single day trading volume and open interest were achieved during Q3 2018:

	<u>Single Day Trading Volume</u>		<u>Open interest</u>	
	Date (2018)	Number of contracts	Date (2018)	Number of contracts
Hang Seng China Enterprises Index (HSCEI) Futures	N/A	N/A	26 Sep	523,247
HSCEI Options	N/A	N/A	26 Sep	3,631,457
MSCI All Country Asia ex Japan Net Total Return Index Futures	19 Sep	1,260	21 Sep	1,065
RMB Currency Futures – USD/CNH Futures	6 Aug	22,105	N/A	N/A
RMB Currency Options – USD/CNH Options	28 Aug	1,529	14 Sep	10,827
RMB Currency Futures – EUR/CNH Futures	16 Aug	431	6 Sep	1,038

HKEX introduced various products and product initiatives in Q3 2018, including:

- (i) two new stock futures and stock options on the two listed WVR companies (Meituan Dianping and Xiaomi Corporation);
- (ii) six new stock options and eight stock futures; and
- (iii) stock futures market enhancements including implementation of a three-tier trading fee model, introduction of a liquidity provider programme, and revision of the final settlement price determination method on 3 July 2018.

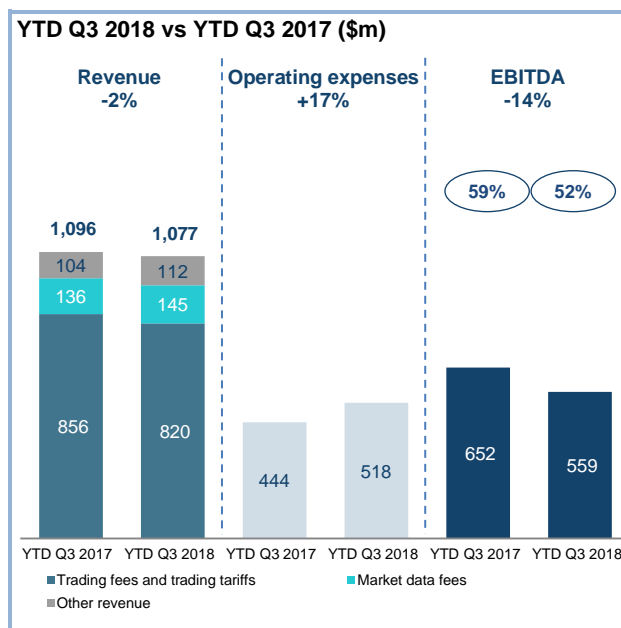
The increased volatility of RMB continued to support the strong growth of trading of RMB currency derivatives products. New trading records were achieved across all six CNH products in July and August. The trading volume of USD/CNH Futures in 2018 up to 3 August, reached 1 million contracts – which surpassed the highest annual trading volume (2017: 732,569 contracts) since their launch in September 2012. The trading of USD/CNH Futures was well-anchored across all contract months (up to 22 months). Such strong trading results during the highly volatile periods have demonstrated the significant demand for capital efficient RMB risk management tools. HKEX continues to work on further enhancements to our existing fixed income and currency (FIC) products and is focused on diversifying our offering in this area. On 19 September 2018, HKEX hosted an event to celebrate the sixth anniversary of USD/CNH Futures and the record volume traded in 2018, with over 300 attendees.

Commodities Segment

Analysis of Results

The ADV of metals contracts traded increased by 21 per cent compared with YTD Q3 2017. However, trading fees fell by \$36 million (4 per cent). This was due to the fee reductions for short- and medium-dated carry trades introduced as a result of the Strategic Pathway, and non-fee generating administrative trades introduced in June 2017 (Admin Trades) in order to meet new requirements resulting from the Markets in Financial Instruments Directive II (MiFID II). Excluding Admin Trades, ADV of metals contracts traded was 6 per cent higher compared to YTD Q3 2017.

Operating expenses rose by 17 per cent. Excluding the one-off insurance recovery of \$23 million in 2017 relating to the warehouse litigation in the US, operating expenses rose by 11 per cent. The increase was mainly attributable to higher staff costs from increased headcount and annual payroll adjustments, higher IT maintenance costs on upgraded networks, and the impact of stronger sterling on the LME's operating costs. Operating expenses of Qianhai Mercantile Exchange (QME) remained relatively flat.



Business Update

On 13 September 2018, the LME announced that its short- and medium-dated carry discounts (introduced on 1 October and 1 November 2017 respectively) would be continued indefinitely. Volumes in YTD Q3 2018 for short- and medium- dated carries have continued to grow and are now up 4 per cent and 22 per cent respectively, against those in YTD Q3 2017.

The annual "LME Week" was held during the week of 8 October. The LME seminar on Monday, 8 October saw record attendance with over 1,000 delegates debating key issues affecting the global metals markets, including ongoing geopolitical tensions and innovations in the metals industry. The LME dinner, held on the evening of 9 October, also saw a record 1,950 attendees. HKEX also hosted a China Reception on 8 October in London to provide more opportunities for the industry to share information and exchange ideas. The reception welcomed more than 300 metal market participants.

Key Market Indicators	YTD Q3	
	2018	2017
ADV of metals contracts traded on the LME (lots)		
Aluminium	279,496	219,481
Copper	162,144	142,055
Zinc	141,177	119,058
Nickel	98,851	85,506
Lead	54,949	42,767
Ferrous	2,272	1,290
Precious	3,603	2,162
Others	6,468	6,552
Total	748,960	618,871
Less: Admin Trades	(102,942)	(10,464)
Total chargeable ADV	646,018	608,407
Number of trading days	189	189
	At	At
	30 Sept	30 Sept
	2018	2017
Total futures Market Open Interest (lots)	2,129,954	2,276,197

Work on the Strategic Pathway initiatives is ongoing. The Financial Over-the-counter (OTC) Booking Fee took effect from 1 June 2018 and generated revenue of \$16 million for the four months ended 30 September 2018. On 13 September 2018, the LME held a member town hall to provide updates on key initiatives such as the launch of its implied pricing capabilities,

speedbumps for the LME precious offering, ongoing work to facilitate November releases for new cash settled products and trade at settlement functionality. The LME also provided an update on its Brexit contingency planning which will remain a core priority ahead of the planned Brexit date of 29 March 2019.

On 5 October 2018, the LME published its position paper on responsible sourcing of brands listed for good delivery on the LME. This publication followed a period of pre-engagement with core stakeholders in the area of responsible sourcing, which helped the LME shape its thinking in this important field. The paper is inviting market feedback until 30 November, and, to the extent that the LME wishes to proceed with its proposals after the market feedback, a consultation is scheduled to take place in early 2019.

In August 2018, HKEX’s USD Gold Futures became the first HKEX commodities contract to receive regulatory approval to be traded by investors in Taiwan. In YTD Q3 2018, a total of 18,710 contracts of CNH Gold Futures and a total of 232,018 contracts of USD Gold Futures were traded, with 138 kilograms of gold bars physically delivered against futures contracts.

We continue our development of QME, the onshore commodities platform in Qianhai, with the aim of enabling spot trading and settlement, enhancing warehousing and providing other related services for market players in the Mainland. QME has been working with local regulators, service partners, industrial producers and users, and a pilot product launch took place on 19 October 2018. QME will continue exploring the spot commodities market in the Mainland, to provide high quality services to increase market transparency and efficiency, and to provide a foundation for commodities development for HKEX.

Clearing Segment

Analysis of Results

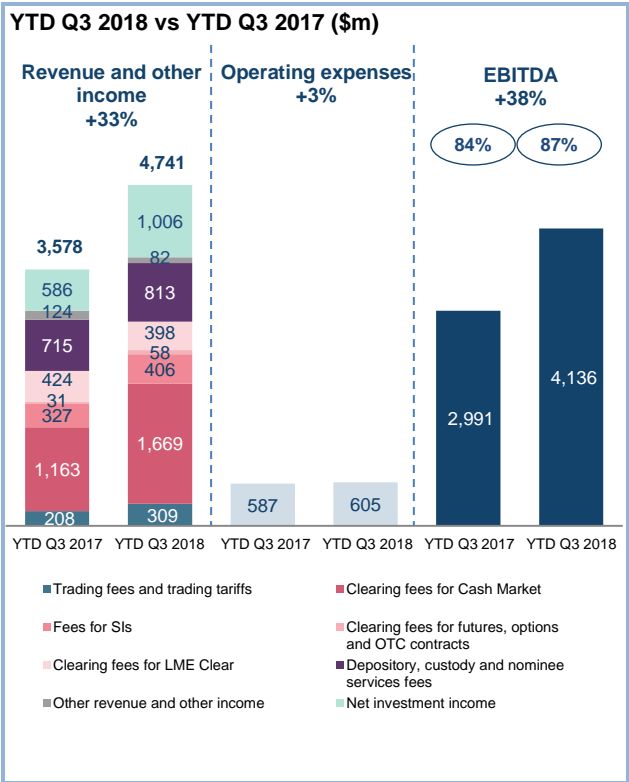
YTD Q3 2018 clearing and settlement fees for Cash Market trades and Settlement Instructions (SIs) increased by 44 per cent and 24 per cent respectively compared with YTD Q3 2017. The increase was primarily driven by a higher number of transactions, and a 4 per cent and a 7 per cent higher average fee per Cash Market trade and per SI transaction respectively.

Depository, custody and nominee services fees rose by \$98 million due to higher portfolio fees from an increase in overall portfolio value held under Southbound and Northbound Trading of Stock Connect, and an increase in electronic IPO service fees and corporate action fees.

The \$420 million (72 per cent) increase in net investment income in YTD Q3 2018 mainly arose from higher interest income from higher interest rates and increased average Margin Fund size for HKCC, as higher margin requirements per contract were imposed on Clearing Participants (CPs) due to increased volatility.

The increase in revenue and other income was partly offset by a \$55 million one-off post-liquidation interest payment from the liquidators of Lehman Brothers Securities Asia Limited in 2017.

Operating expenses increased by 3 per cent, mainly as a result of higher premises costs and



increased staff costs from increased headcount, annual payroll adjustments and higher variable pay accruals.

Business Update

During Q3 2018, HKSCC recorded a 20 per cent increase in the number of Special Segregated Accounts (6,476 accounts as at 30 September 2018) and a 67 per cent increase in the average daily value of Northbound SIs settled through Realtime Delivery versus Payment arrangement as compared with Q2 2018. The portfolio value of A shares held under Northbound Trading of Stock Connect reached a record high of RMB 719 billion as at 30 September 2018 (30 September 2017: RMB 437 billion). The increases reflected the continuous growing interest of institutional investors in accessing A share markets through Stock Connect.

Key Market Indicators	YTD Q3	
	2018	2017
ADT of the Stock Exchange (\$bn)	114.7	82.0
Average daily number of Stock Exchange trades	1,648,034 ¹	1,186,506
Average daily value of SIs (\$bn)	279.4	211.1
Average daily number of SIs	104,420	89,573

¹ New record high for YTD Q3

A number of enhancements to the recovery plan of HKSCC, HKCC, SEOCH and OTC Clear came into effect on 15 October 2018. The enhancements have strengthened the Clearing Houses’ Qualifying Central Counterparty status in the international arena and brought the clearing houses to a higher level of compliance with the CPSS-IOSCO⁸ Principles for Financial Market Infrastructures. Notably, HKSCC, HKCC and SEOCH have introduced close-out netting provisions in their respective rules, which will substantially reduce the capital costs of bank-based participants clearing through our clearing houses.

In Q3 2018, a total of US\$40 billion notional amount was cleared by OTC Clear, up 23 per cent as compared with Q2 2018. More USD interest rate swaps were cleared due to bond hedging activities from Chinese banks with a total of US\$9.7 billion notional amount cleared, up 158 per cent as compared with Q2 2018. The notional amount of USD/CNH cross currency swaps cleared reached US\$14.3 billion, up 51 per cent as compared with Q2 2018. China CITIC Bank International Limited was admitted as a new clearing member on 21 August 2018.

Platform and Infrastructure Segment

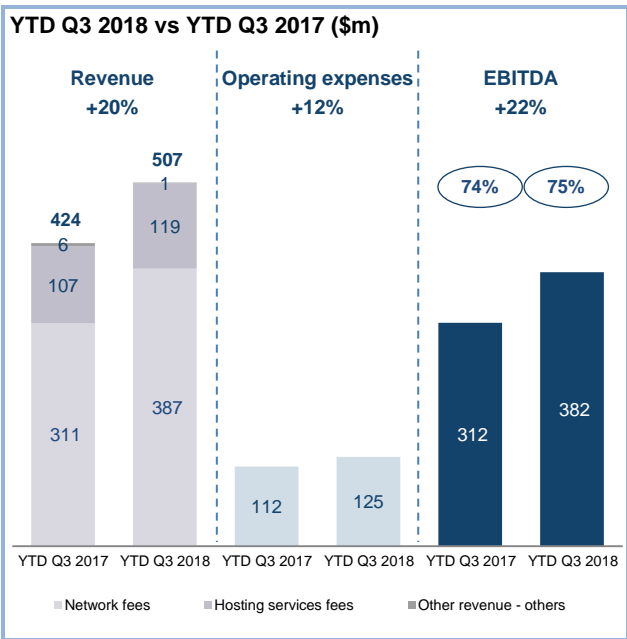
Analysis of Results

Network fees rose by \$76 million (24 per cent) due to increased sales of throttles, driven in turn by the MSCI inclusion, as well as new EPs and China Connect EPs (CCEPs) migrating from Open Gateway to the new China Connect Central Gateway (CCCG).

Business Update

During Q3 2018, all major trading, clearing, settlement, and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform reliably.

The detailed design phase for Orion Trading Platform – China Stock Connect (OTP-CSC) was completed in June 2018. System development has commenced and is



⁸ The Committee on Payment and Settlement Systems and the Technical Committee of the International Organisation of Securities Commissions

expected to be completed in Q4 this year. Market readiness activities will be carried out in 1H 2019. The OTP-CSC will replace the legacy proprietary hardware currently supporting Northbound Trading of Stock Connect.

Development work continues on the upgrade of the derivatives platforms, The Hong Kong Futures Automated Trading System (HKATS) and The Derivatives Clearing and Settlement System (DCASS), tentatively scheduled for rollout by Q2 2019. The upgrade will enhance stability and reliability of the Derivatives Market infrastructure, facilitate swift adaptation to future market developments, with a reduction of the hardware footprint required at participants' premises.

Corporate Items

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

Analysis of Results

Net investment income of Corporate Funds decreased by \$281 million compared with YTD Q3 2017 principally due to lower fair value gains on collective investment schemes held under the external portfolio, partly offset by higher interest income earned on cash and bank deposits from increased fund size and higher deposit rates.

YTD Q3 2018 vs YTD Q3 2017	YTD Q3	
	2018 \$m	2017 \$m
Revenue and Other Income		
Net investment income	328	609
Others	19	7
Total	347	616
Operating expenses	851	683

Operating expenses increased by 25 per cent over YTD Q3 2017 mainly due to increased staff costs from annual payroll adjustments and higher variable pay accruals, and higher premises expenses for new offices and the new HKEX Connect Hall.

Business Update

HKEX formally inaugurated its new Innovation Lab in Q3 2018, tasked with exploring, recommending and accelerating new technologies and applications for our business. The Innovation Lab has already pioneered the launch of several projects, including targeted applications of natural language processing, machine learning and robotic process automation across HKEX's businesses. At this early stage, emphasis is being placed on applying emerging technologies to achieve business efficiency improvements, while concurrently supporting some of HKEX's greenfield technology initiatives.

FINANCIAL REVIEW

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

Margin Fund deposits of \$127.3 billion at 30 September 2018 were \$30.5 billion lower than at 31 December 2017 due to a drop in contributions required from members of LME Clear in response to a decrease in open positions on metal contracts and lower metal contract prices. Clearing House Fund contributions dropped 4 per cent from \$16.6 billion at 31 December 2017 to \$16.0 billion at 30 September 2018 due to changes in risk exposures. Funds received were invested in cash and cash equivalents, financial assets measured at amortised cost, financial assets measured at fair value through profit or loss, and financial assets measured at fair value through other comprehensive income.

Borrowings

No new borrowings or repayments were made in YTD Q3 2018.

Capital Expenditure and Commitments

During YTD Q3 2018, the Group incurred capital expenditure of \$551 million (YTD Q3 2017: \$479 million) relating to the development and upgrade of various trading and clearing systems, and the renovation of new offices and the HKEX Connect Hall. The Group's capital expenditure commitments at 30 September 2018, including those authorised by the Board but not yet contracted for, amounted to \$1,217 million (31 December 2017: \$1,433 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems.

Contingent Liabilities

At 30 September 2018, there were no significant changes in the Group's contingent liabilities compared to 31 December 2017.

Charges on Assets

Securities, gold bullion and warrants were held by LME Clear as non-cash collateral for margins posted by its CPs and collateral in respect of its interest in overnight triparty reverse repurchase agreements, which together amounted to \$79,321 million at 30 September 2018 (31 December 2017: \$99,913 million). This non-cash collateral, which was not recorded on the consolidated statement of financial position of the Group, together with certain financial assets amounting to \$3,286 million at 30 September 2018 (31 December 2017: \$3,686 million) have been repledged to LME Clear's investment agent and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The first floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

Changes since 31 December 2017

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 2017.

It is the Group's practice to declare a dividend only at the half-year and year-end and no dividend will be proposed for Q3 2018 (Q3 2017: \$Nil).

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for YTD Q3 2018.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Nine months ended 30 Sept 2018 \$m	Nine months ended 30 Sept 2017 \$m	Three months ended 30 Sept 2018 \$m	Three months ended 30 Sept 2017 \$m
Trading fees and trading tariffs	4,849	3,488	1,515	1,308
Stock Exchange listing fees	1,311	947	456	354
Clearing and settlement fees	2,531	1,945	784	721
Depository, custody and nominee services fees	813	715	295	256
Market data fees	675	635	232	216
Other revenue	769	727	281	223
REVENUE	10,948	8,457	3,563	3,078
Investment income and sundry income	1,348	1,200	539	376
REVENUE AND OTHER INCOME	12,296	9,657	4,102	3,454
OPERATING EXPENSES				
Staff costs and related expenses	(1,845)	(1,639)	(640)	(566)
IT and computer maintenance expenses	(378)	(315)	(137)	(105)
Premises expenses	(320)	(261)	(118)	(85)
Product marketing and promotion expenses	(34)	(30)	(12)	(10)
Legal and professional fees	(67)	(39)	(25)	(21)
Other operating expenses	(299)	(314)	(93)	(100)
	(2,943)	(2,598)	(1,025)	(887)
EBITDA	9,353	7,059	3,077	2,567
Depreciation and amortisation	(576)	(547)	(198)	(185)
OPERATING PROFIT	8,777	6,512	2,879	2,382
Finance costs	(86)	(93)	(31)	(28)
Share of profits less losses of joint ventures	3	(8)	(1)	(3)
PROFIT BEFORE TAXATION	8,694	6,411	2,847	2,351
TAXATION	(1,231)	(910)	(409)	(328)
PROFIT FOR THE PERIOD	7,463	5,501	2,438	2,023
PROFIT/(LOSS) ATTRIBUTABLE TO:				
- Shareholders of HKEX	7,484	5,526	2,443	2,033
- Non-controlling interests	(21)	(25)	(5)	(10)
PROFIT FOR THE PERIOD	7,463	5,501	2,438	2,023
Basic earnings per share	\$6.03	\$4.51	\$1.96	\$1.65
Diluted earnings per share	\$6.02	\$4.50	\$1.96	\$1.65

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Nine months ended 30 Sept 2018 \$m	Nine months ended 30 Sept 2017 \$m	Three months ended 30 Sept 2018 \$m	Three months ended 30 Sept 2017 \$m
PROFIT FOR THE PERIOD	7,463	5,501	2,438	2,023
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences of foreign subsidiaries	11	136	(56)	16
Cash flow hedges	(3)	3	-	3
Changes in fair value of financial assets measured at fair value through other comprehensive income	(2)	-	1	-
OTHER COMPREHENSIVE INCOME	6	139	(55)	19
TOTAL COMPREHENSIVE INCOME	7,469	5,640	2,383	2,042
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Shareholders of HKEX	7,488	5,665	2,388	2,052
- Non-controlling interests	(19)	(25)	(5)	(10)
TOTAL COMPREHENSIVE INCOME	7,469	5,640	2,383	2,042

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	At 30 Sept 2018			At 31 Dec 2017		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS						
Cash and cash equivalents	128,192	-	128,192	155,660	-	155,660
Financial assets measured at fair value through profit or loss	61,496	-	61,496	95,037	-	95,037
Financial assets measured at fair value through other comprehensive income	3,051	-	3,051	-	-	-
Financial assets measured at amortised cost	30,358	96	30,454	30,757	60	30,817
Accounts receivable, prepayments and deposits	12,694	21	12,715	16,564	21	16,585
Interests in joint ventures	-	64	64	-	61	61
Goodwill and other intangible assets	-	17,919	17,919	-	17,925	17,925
Fixed assets	-	1,462	1,462	-	1,469	1,469
Lease premium for land	-	20	20	-	20	20
Deferred tax assets	-	26	26	-	30	30
Total assets	235,791	19,608	255,399	298,018	19,586	317,604
LIABILITIES AND EQUITY						
Liabilities						
Financial liabilities at fair value through profit or loss	54,711	-	54,711	85,335	-	85,335
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	127,284	-	127,284	157,814	-	157,814
Accounts payable, accruals and other liabilities	13,123	56	13,179	16,159	51	16,210
Deferred revenue	536	-	536	957	-	957
Taxation payable	1,376	-	1,376	505	-	505
Other financial liabilities	64	-	64	58	-	58
CPs' contributions to Clearing House Funds	16,007	-	16,007	16,626	-	16,626
Borrowings	1,787	83	1,870	1,027	833	1,860
Provisions	98	88	186	85	68	153
Deferred tax liabilities	-	702	702	-	711	711
Total liabilities	214,986	929	215,915	278,566	1,663	280,229
Equity						
Share capital			27,746			25,141
Shares held for Share Award Scheme			(599)			(606)
Employee share-based compensation reserve			344			222
Hedging and revaluation reserves			(8)			1
Exchange reserve			(95)			(104)
Designated reserves			515			822
Reserve relating to written put options to non-controlling interests			(293)			(293)
Retained earnings			11,793			12,090
Equity attributable to shareholders of HKEX			39,403			37,273
Non-controlling interests			81			102
Total equity			39,484			37,375
Total liabilities and equity			255,399			317,604
Net current assets			20,805			19,452

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 2017.

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

In 2018, the Group has adopted the following new standards, and amendments and interpretation to HKFRSs which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2018:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

HKFRS 9 (2014) affects the classification of debt securities held for Margin Funds and recognition of impairment provisions.

Prior to the adoption of HKFRS 9 (2014), debt securities held for Margin Funds amounting to \$3,059 million as at 31 December 2017 were classified as financial assets measured at fair value through profit or loss. They are held by the Group in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling the securities. These assets have therefore been classified as financial assets measured at fair value through other comprehensive income under HKFRS 9 (2014). Accordingly, the related cumulative fair value losses of \$4 million were transferred from retained earnings to the revaluation reserve on 1 January 2018. Subsequent changes in fair value of these debt securities are taken to the revaluation reserve. Interest income, foreign exchange differences, impairment losses, and gains or losses on disposal of these debt securities continue to be recognised in the consolidated income statement.

The new impairment model under HKFRS 9 (2014) requires the recognition of provision for impairment losses based on expected credit losses rather than incurred credit losses. There was no material change in the amount of provision for impairment losses required under the expected credit loss model compared with the incurred credit loss model, and there was no financial impact on such change at 1 January 2018.

HKFRS 15 is based on the principle that revenue is recognised when control of goods or services is transferred to customers. Prior to the adoption of HKFRS 15, initial listing fees for IPOs were recognised upon the listing of an applicant, cancellation of the application or six months after submission of the application, whichever was earlier, and certain upfront fees charged by the Group were recognised upon receipt. Under HKFRS 15, initial listing fees for IPOs and upfront fees are recognised over time when the services are provided. As the timing differences of recognising initial listing fees for IPOs were insignificant and the upfront fees were immaterial, there is no significant impact to the consolidated income statement arising from the change in revenue recognition policy adopted by the Group. Accordingly, the related cumulative impact of \$62 million was debited to retained earnings on 1 January 2018.

The adoption of HK(IFRIC) Interpretation 22 did not have any financial impact on the Group.

The Group has applied HKFRS 9 (2014) and HKFRS 15 retrospectively from 1 January 2018. As permitted by the respective transitional provisions of these accounting standards, comparatives for 2017 were not restated.

The financial information relating to the year ended 31 December 2017 that is included in this Quarterly Results Announcement as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 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
Joseph Mau
Group Company Secretary

Hong Kong, 7 November 2018

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