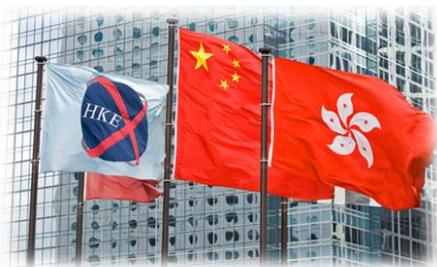




HKEx Group 2014 3rd Quarter Results Presentation

5 November 2014



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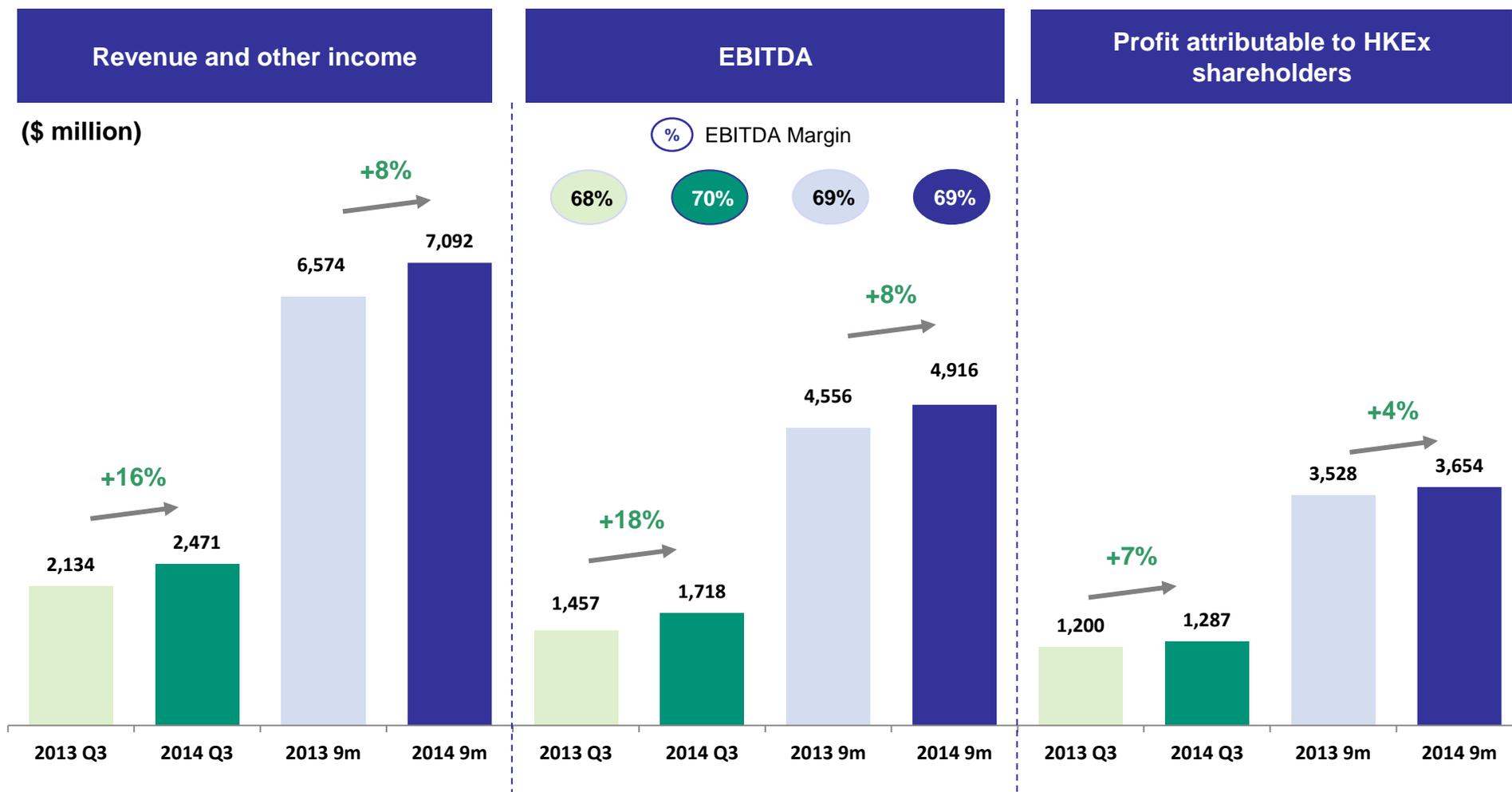
The implementation of Shanghai-Hong Kong Stock Connect is subject to conditions, including regulatory approvals, completion of all necessary development work and market readiness.

Currently, access to the Northbound Trading Link of Shanghai-Hong Kong Stock Connect is only available to intermediaries licensed/regulated in Hong Kong; access to the Southbound Trading Link of Shanghai-Hong Kong Stock Connect is only available to intermediaries licensed/regulated in Mainland China. Direct access to Shanghai-Hong Kong Stock Connect is not available outside Hong Kong and Mainland China.

The information provided in this presentation is provided on an “as is” and “as available” basis and may be amended or changed in the course of the implementation of Shanghai-Hong Kong Stock Connect. It is not a substitute for professional advice which takes account of your specific circumstances.

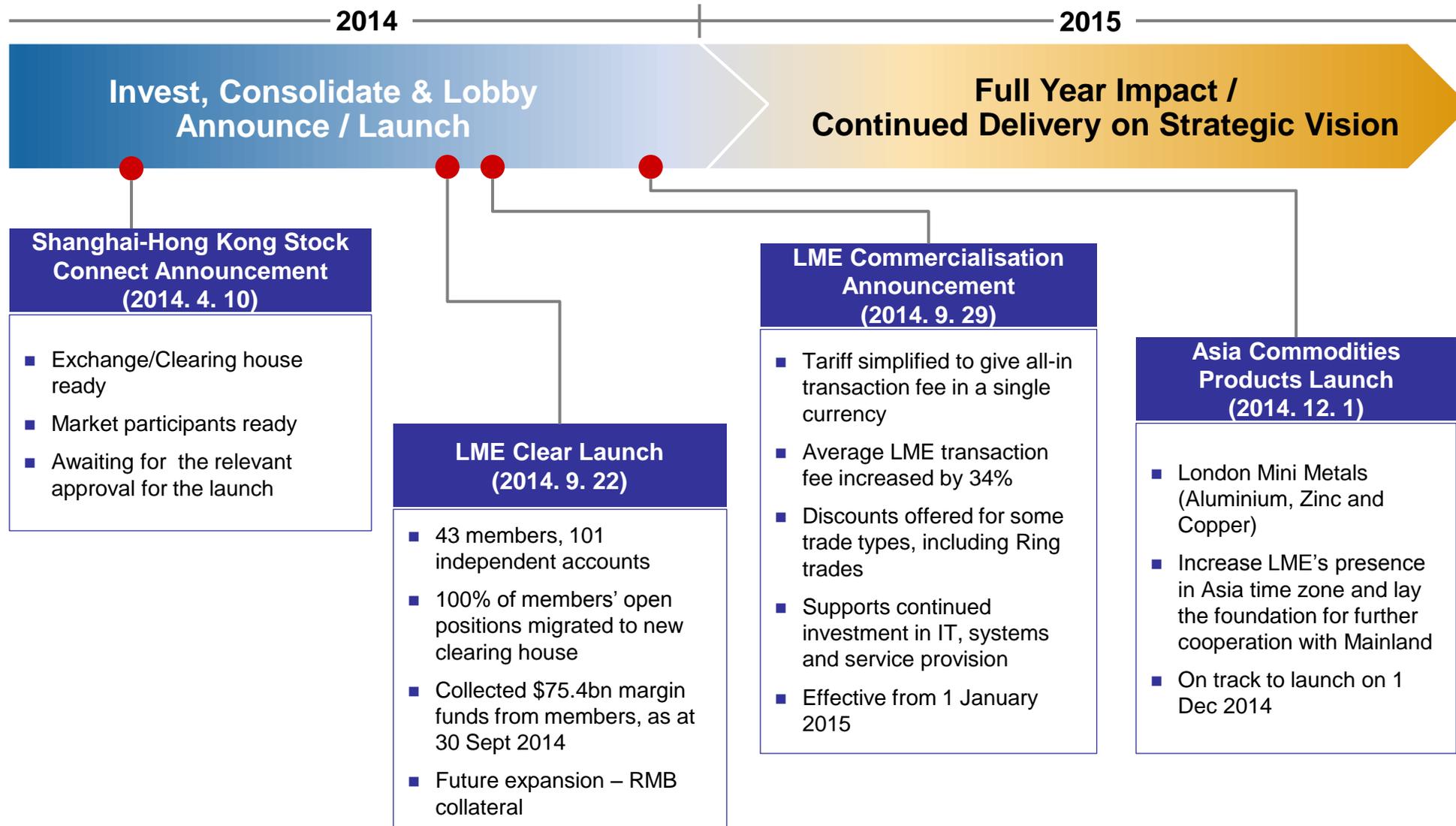
This presentation contains some forward-looking statements. These are based on current expectations, estimates, projections, beliefs and assumptions of HKEx about its businesses and the markets that it operates in. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict and depend on a number of factors beyond HKEx's control. Therefore, actual outcomes and returns may differ materially from what is expressed or forecasted in such forward-looking statements. We caution readers not to place undue reliance on the expectations expressed in such forward-looking statements.

Highlights: 2014 Nine Months' Results



Revenues and earnings both up due to higher ADT and non-trading income

We have reached an inflection point in this transition year



Shanghai-Hong Kong Stock Connect

Participant Readiness



97 EPs (80% market share in turnover) and 108 CPs confirmed ready

	<u>Interface Test with SSE/ChinaClear</u>	<u>Connectivity Test (pre-MR)</u>	<u>Market Rehearsal (MR1)</u>	<u>Market Rehearsal (MR2)</u>	<u>Practice Sessions (PS1 & 2)</u>
Date	Mid-June to Mid-August	23, 24 August	30, 31 August	13 September	20-21 September 11-12 October
Testing Content	<ul style="list-style-type: none"> Four-party interface test on end-to-end functionalities System capacity Failover arrangement 	Full cycle testing: <ul style="list-style-type: none"> Pre-trade stock position update via Morning SI 4% dynamic price checking Aggregate foreign shareholding >28% Daily quota exceeded etc. 		<ul style="list-style-type: none"> Capacity test (i.e. Stress test) Failover test 	<ul style="list-style-type: none"> Voluntary Full cycle same as MR1
Results	No Major Incidents	No Major Incidents	No Major Incidents	No Major Incidents	No Major Incidents
EPs logged on	N.A.	96/96 (~80% turnover)	97/97 (~80% turnover)	97/97 (~80% turnover)	N.A.
CPs logged on	N.A.	71/84	108/108	108/108	N.A.

Shanghai-Hong Kong Stock Connect

Investor Readiness



Mainland

- **60+ conferences/workshops** in Mainland
- **8,000+ investors**, mainly institutional and high net worth individuals
- Partners: CSRC, SSE, Securities Association of China

Marketing Materials

- Investor booklets (~40k copies)
- Flyers / Newsletters
- Posters
- Online videos
- More to come

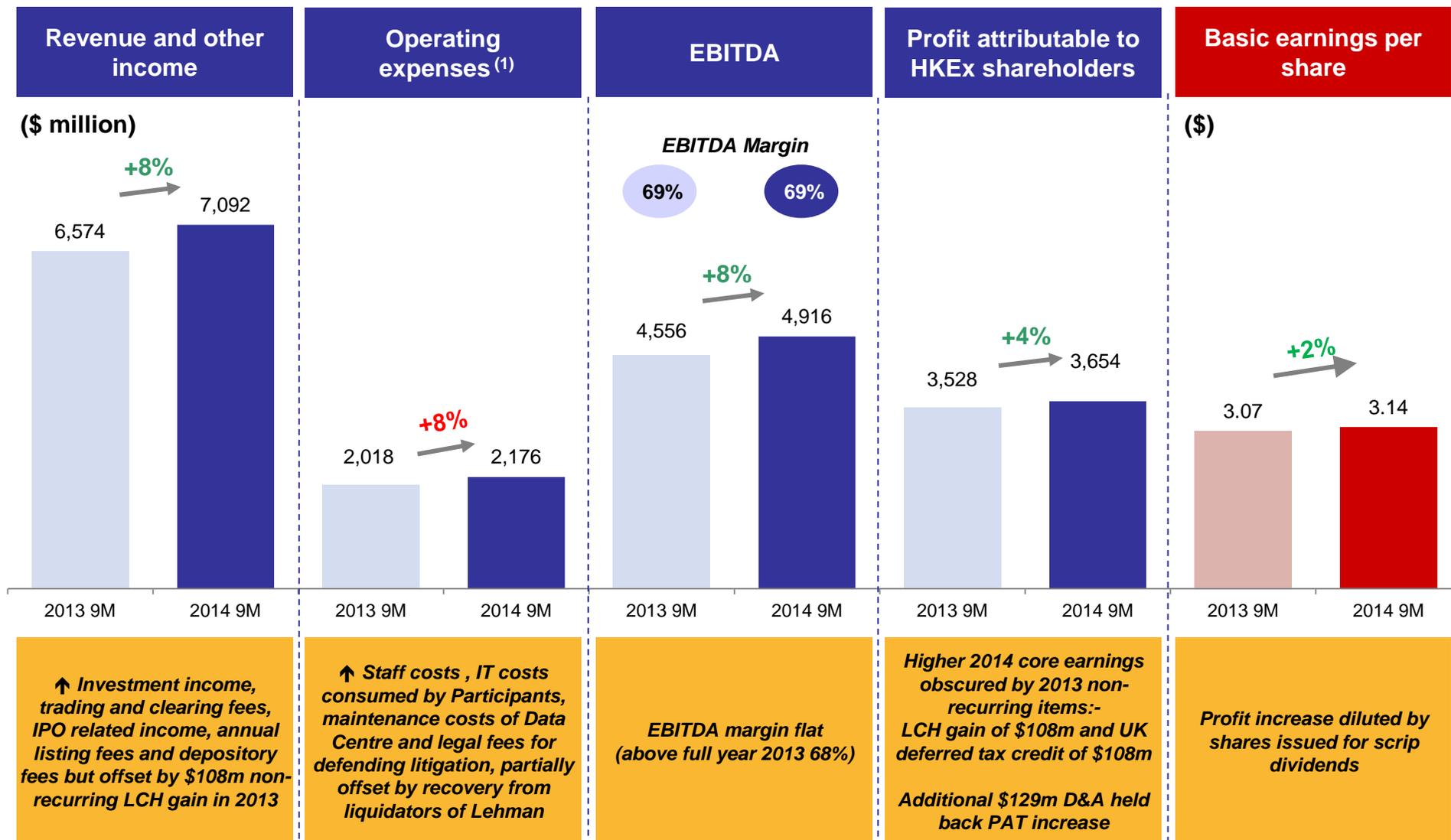
International Roadshow

- Joint international roadshow with SSE
 - **11 cities** across **US, Canada, UK, Europe and Middle East**
- Other regions reached by HKEx: **Japan, Taiwan, Korea, Singapore and Australia**
- **~1,500** institutional investors (covering **300+ firms**)

Hong Kong

- **~100 seminars**
- **~10,000 investors**, including retail, institutional, sales executives
- Partners: local brokers, HK Investor Education Centre, industry associations

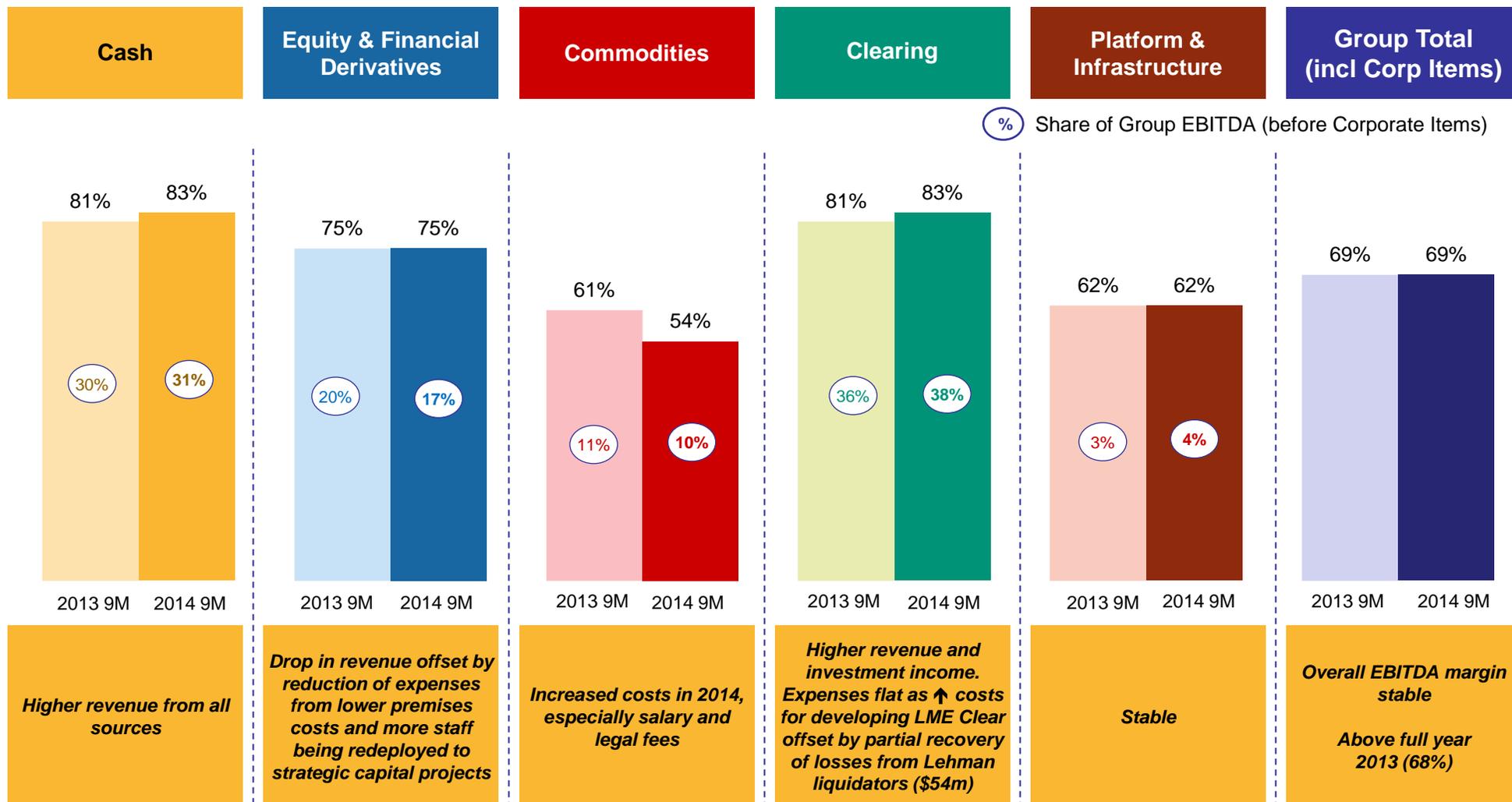
Highlights: 2014 Nine Months' Results



(1) Excludes depreciation and amortisation, finance costs, and share of loss of a joint venture

Performance by Operating Segment

EBITDA Margin

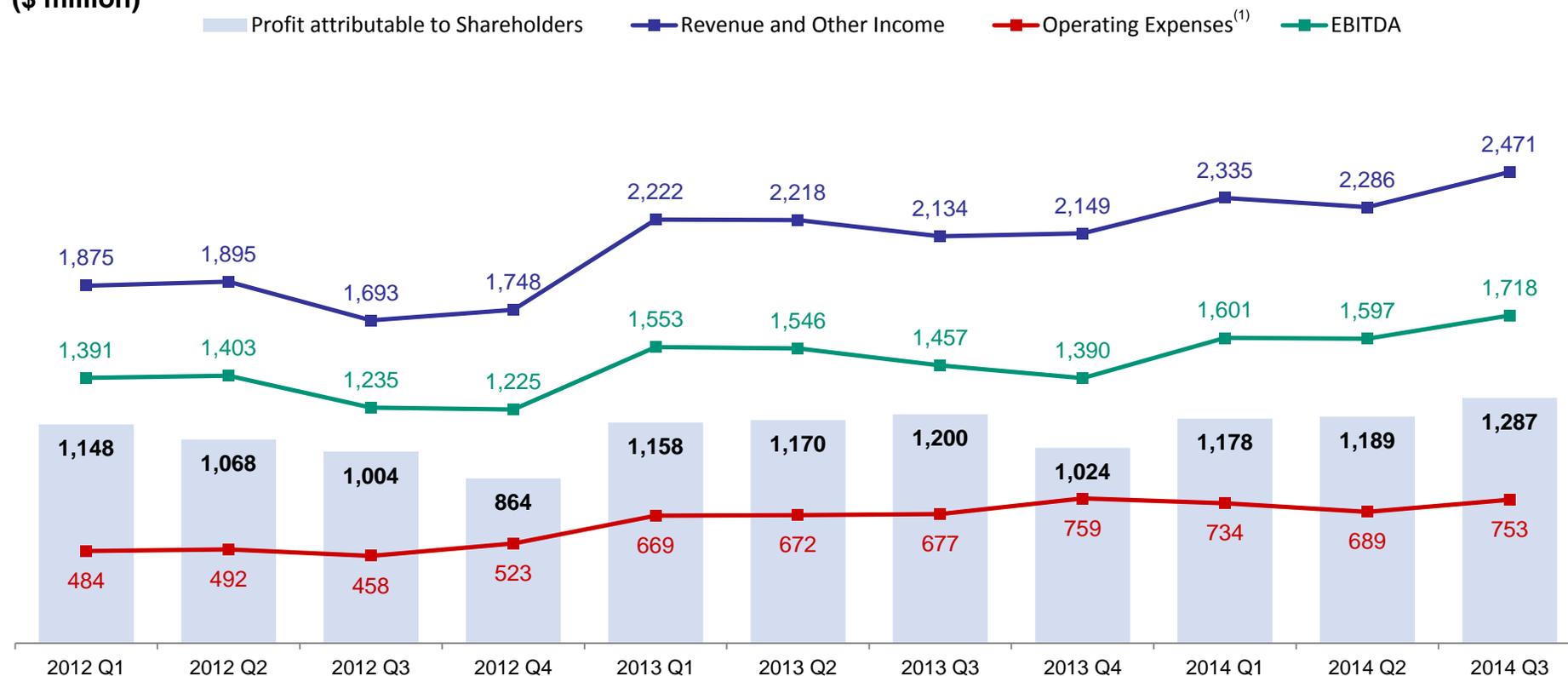


Overall EBITDA margin stable:
Increased margin in Cash Equity and Clearing Segments offset by reduction in the Commodities segment

Quarterly Trend

Key Performance Indicators by Quarter

(\$ million)



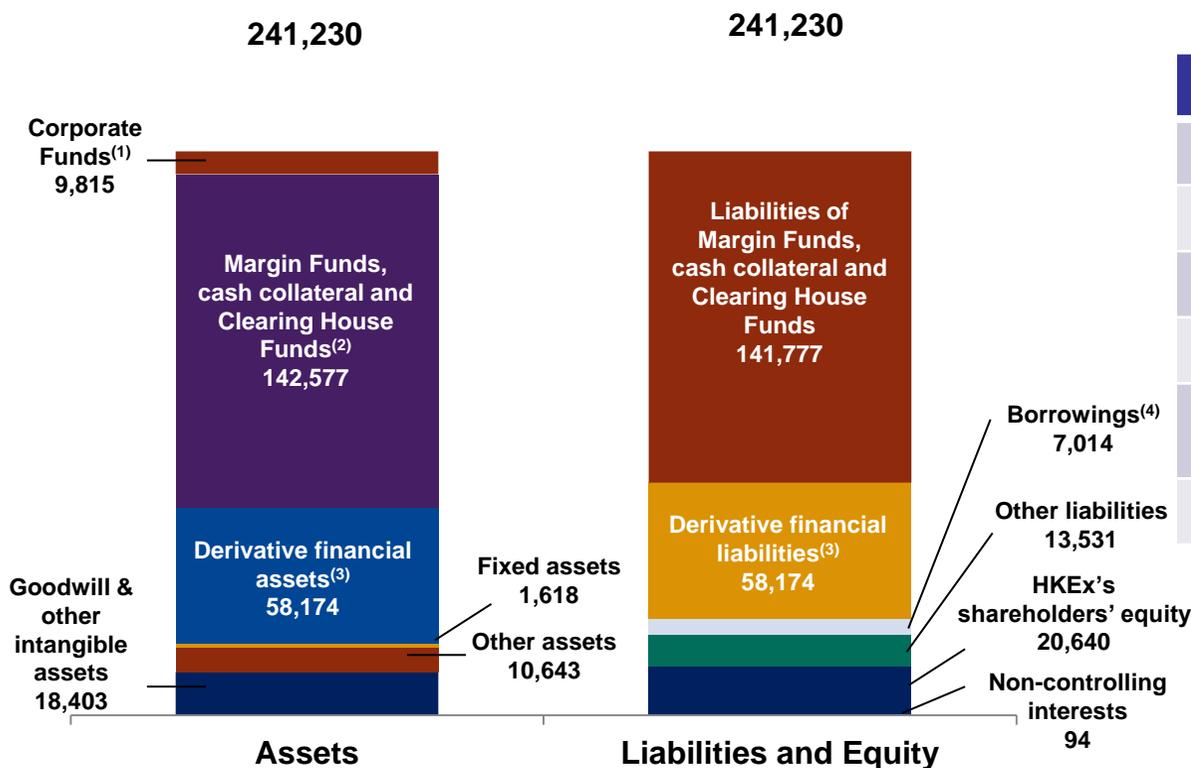
All measures have risen since 2013 due to contribution from LME Group
Stable revenue trend with LME contribution; expenses reflect inclusion of LME cost base and implementation of strategic projects

(1) Excludes depreciation and amortisation, costs relating to the acquisition of the LME Group, fair value loss on derivative component of convertible bonds, finance costs, and share of loss of a joint venture

Highlights – Balance Sheet (as at 30 September 2014)



(\$ million, except %)



Leverage Ratios	
Total Debt ⁽⁴⁾	7,014
Net Debt ⁽⁵⁾	-
Total Debt / Assets	3%
Total Debt / Equity	34%
Total Debt / annualised EBITDA	1.1x
Net Debt / Equity	-

Balance Sheet grew significantly due to launch of LME Clear

(1) Exclude derivative financial assets in respect of fair value of outstanding contracts of LME Clear of \$58,174 million

(2) Include \$157 million for contribution to the Rates and FX Guarantee Resources of OTC Clear

(3) Exclude FX contracts

(4) Exclude temporary borrowings of Margin Funds

(5) Net Debt equals total borrowings minus cash and cash equivalents of Corporate Funds. It is zero since cash and cash equivalents of Corporate Funds is greater than total borrowings.



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Appendix

Financial Highlights – Income Statement



(\$ million, unless stated otherwise)	2014 9M	% of revenue & other income	2013 9M	% of revenue & other income	Y-o-Y change
Results					
Revenue and other income	7,092	100%	6,574	100%	8%
Operating expenses	(2,176)	(31%)	(2,018)	(31%)	8%
EBITDA	4,916	69%	4,556	69%	8%
Depreciation and amortisation	(481)	(7%)	(352)	(5%)	37%
Operating profit	4,435	62%	4,204	64%	5%
Finance costs and share of loss a joint venture	(160)	(2%)	(144)	(2%)	11%
Profit before taxation	4,275	60%	4,060	62%	5%
Taxation	(640)	(9%)	(532)	(8%)	20%
Non-controlling interests	19	0%	-	-	N/A
Profit attributable to shareholders	3,654	51%	3,528	54%	4%
Basic earnings per share	\$3.14		\$3.07		2%
Diluted earnings per share	\$3.14		\$3.06		3%
Average daily turnover on the Stock Exchange	\$65.7 billion		\$63.8 billion		3%
Capex	349		443		(21%)

Performance by Operating Segment: 2014 9M



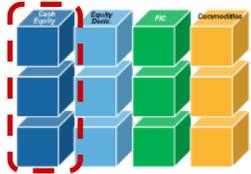
\$ million	Cash	Equity & Financial Derivatives	Commodities	Clearing	Platform and Infrastructure	Corporate Items	Group 2014 9M	Group 2013 9M
Revenue and other income	2,005	1,221	962	2,479	307	118	7,092	6,574
<i>% of Group Total</i>	<i>28%</i>	<i>17%</i>	<i>14%</i>	<i>35%</i>	<i>4%</i>	<i>2%</i>	100%	100%
Operating expenses	(342)	(301)	(440)	(417)	(118)	(558)	(2,176)	(2,018)
EBITDA	1,663	920	522	2,062	189	(440)	4,916	4,556
<i>% of Group Total ⁽¹⁾</i>	<i>34%</i>	<i>19%</i>	<i>10%</i>	<i>42%</i>	<i>4%</i>	<i>(9%)</i>	100%	100%
<i>EBITDA margin</i>	<i>83%</i>	<i>75%</i>	<i>54%</i>	<i>83%</i>	<i>62%</i>	<i>N/A</i>	69%	69%
Depreciation and amortisation							(481)	(352)
Finance costs							(153)	(137)
Share of loss of a joint venture							(7)	(7)
Profit before taxation							4,275	4,060

LME's results are included under 'Commodities', 'Clearing' and 'Corporate Items'

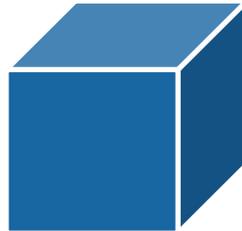
(1) % Share of Group EBITDA (including Corporate Items)

Business Updates

Cash Equity



Products



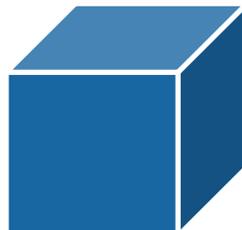
- **IPO funds raised** up 119% y-o-y, reaching HK\$131 billion
- New publication requirement under **the new sponsor regime** took effect on 1 April 2014
- **RMB cash products** increased to 156, of which 68 were newly listed in 2014
- **ETFs** reached 120; **9 newly listed ETFs** as of 30 September 2014, of which:
 - The first RQFII ETF tracking Mainland's bond market
 - The first RQFII sector ETF

Trading



- Announced **Shanghai-Hong Kong Stock Connect**
 - Over 200 EPs indicated interest and ~100 EPs submitted application form for participation
- Launched **Mainland Market Data Hub (MMDH)** in March 2014

Clearing

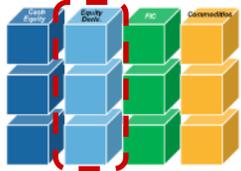


- **Cross-border clearing infrastructure:** In operation with ChinaClear smoothly
- Continue to work on achieving **Uncertificated Securities Market (Scripless)** regime
- Achieving compliance with **international standards:** IOSCO, FATCA, PFMI, ESMA...
- **Recovered 35% of loss** resulting from Lehman default in 2008

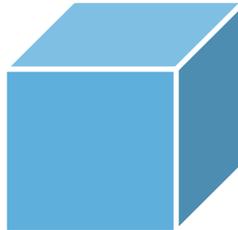
Expect transformational change for both Hong Kong and Mainland's markets from mutual market access

Business Updates

Equity Derivatives



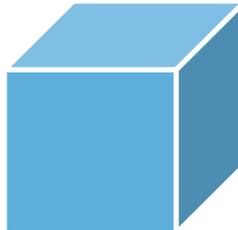
Products



- **CES 120 futures**

- Reviewed **Liquidity Provider Programme**
- Introduced **incentive programmes** in June 2014

Trading

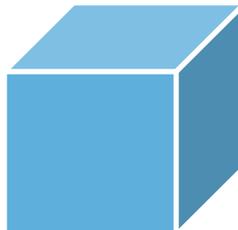


- **After-hours futures trading (AHFT)**

- Added Block Trading, Mini HSI Futures and Mini HHI Futures on 6 January 2014
- Added **RMB Currency Futures** on 7 April 2014
- Accounted for **6% of day session's trading volume**
- **Extended closing time** from 11:00pm to 11:45pm on 3 November 2014

- Further improvement on **stock option market maker programme**

Clearing



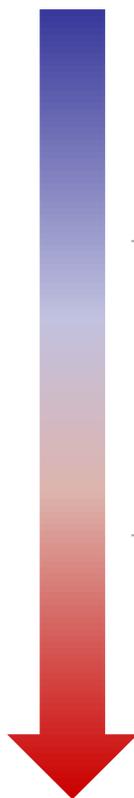
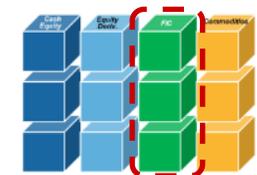
- **Enhanced clearing service** for AHFT's extension of trading hours

- To **extend T+1 Clearing Session Cut-off Time** from 11:45pm to 12:30am (on the next calendar day)
- Conducted **simulation test** in August 2014 to ensure participants' readiness

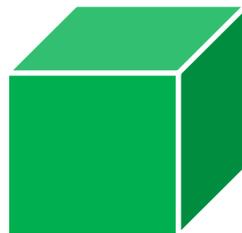
Continue to enhance market structure and maintain competitiveness

Business Updates

Fixed Income and Currency

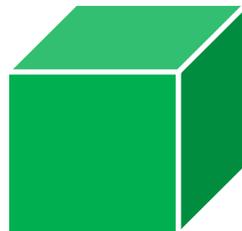


Products



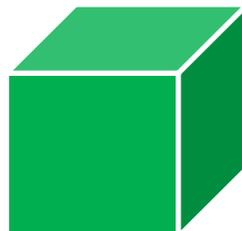
- **RMB Currency Futures** – ADV at 820 contracts as of 30 September 2014
 - **Daily volume** record high: 6,318 contracts on 19 March 2014
 - **Open interest** record high: 23,887 contracts on 14 February 2014
 - Included in the AHFT session since 7 April 2014, accounted for **6%** of day session

Trading



- Held **RMB FIC Market Strategy Forum** on 22 May in Hong Kong

Clearing



- **OTC Clearing Phase 2 Development**
 - **Scope:** addition of client clearing services and acceptance of non-cash financial instruments as collateral
 - Plan to launch upon regulatory approval in 1H 2015
- OTC Clear achieving **ESMA, PFMI** compliance

FIC strategy will continue to ride on opportunities from RMB internationalisation

Business Updates

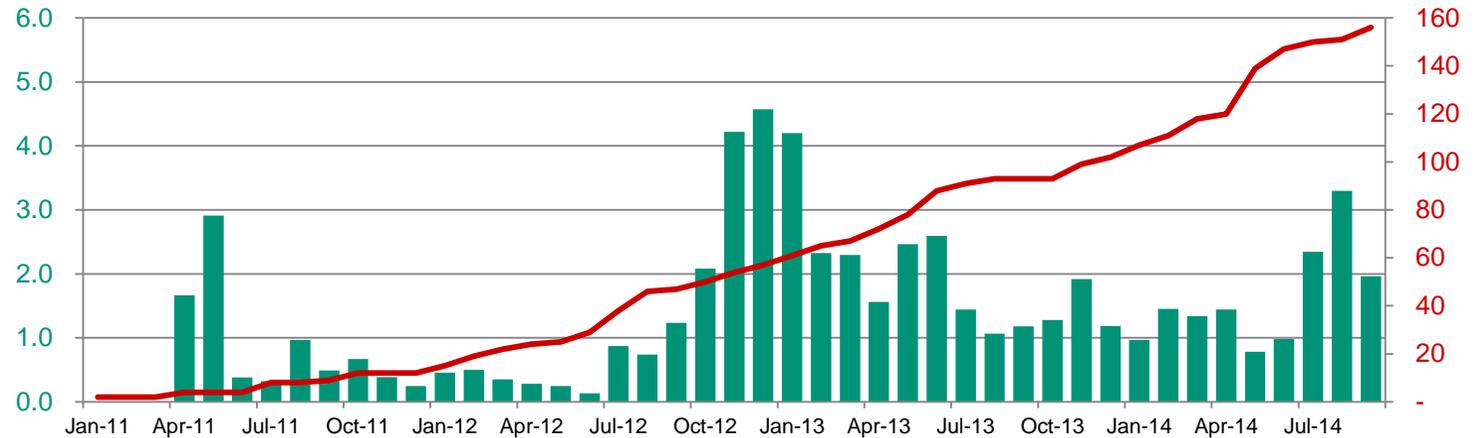
RMB Products on HKEx



Securities Products

RMB Bonds Oct 2010	132
RMB REIT Apr 2011	1
RMB ETF Feb 2012	20
RMB Equity Oct 2012	1
Deriv. Warrant Dec 2012	2

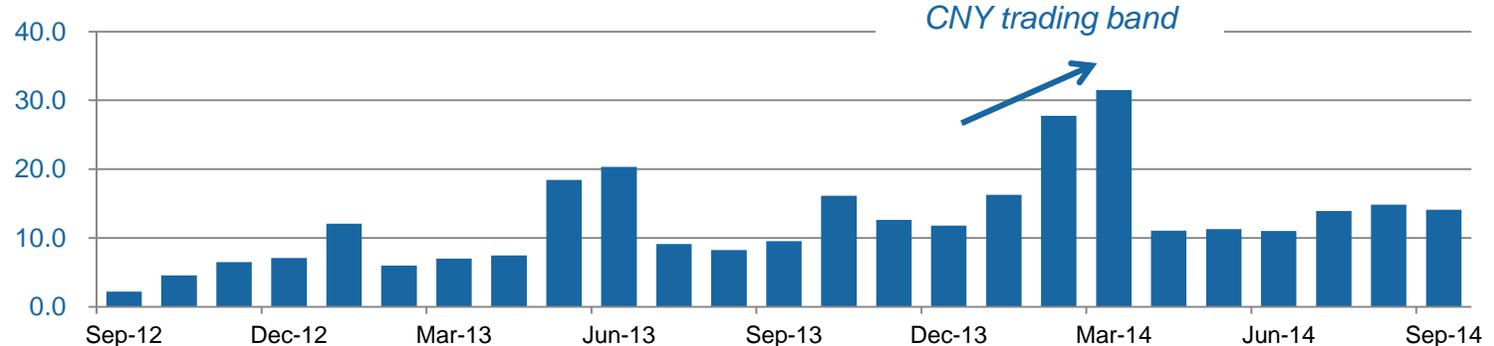
Monthly Turnover, RMB bn.



Derivatives Products

CNH / USD Futures Sep 2012
LME Mini Cu / Al / Zn Launch on 1 Dec 2014

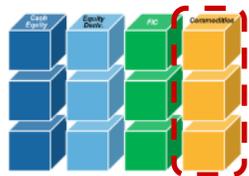
Monthly Contracts Traded, thousands



HKEx already has 156 RMB cash products – dominated by RQFII ETFs – and one CNH futures contract

Business Updates

Commodities

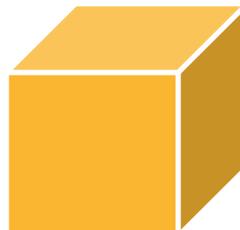


Products



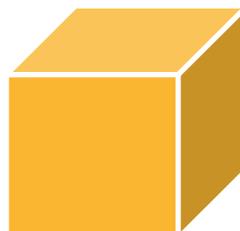
- Trading momentum at the LME continues: **ADV** up 3.7% (vs. September 2013)
 - Plan to launch **4 new commodities contracts**
 - London Aluminium Mini Futures
 - London Copper Mini Futures
 - London Zinc Mini Futures
 - API 8 Thermal Coal Futures -----
- traded and settled in RMB / launch on 1 Dec 2014
- traded and settled in USD / launch date TBC

Trading



- Maintain and further invest in **the Ring**
- Revised approval policy of warehouses following **consultation on warehouses**
- Announced LME trading fee increases from Jan 2015
- Provide London Platinum and Palladium fixings, starting 1 Dec 2014

Clearing



- **LME Clear**
 - Launched on 22 September 2014
 - Significantly increased the size of the Group's client assets

LME trading fee increase to become effective on 1 January 2015

LME

Commercialisation

- Announced new fee schedule to be effective on 1 Jan 2015
- Average transaction fee will increase by 34%
- Tariff simplified to give all-in transaction fee in a single currency
- Discounts offered for some trade types, including Ring trades
- Supports continued investment in IT, systems and service provision

LME Clear

- Launched on 22 September 2014
- Launched EMIR compliant trade reporting service (LMEwire) – enabling LME members and their clients to fulfil EMIR obligations
- Future opportunity in OTC metals clearing

Warehousing

- To implement its LILO rule - First Calculation Period starting on 1 Feb 2015
- Will proceed with further warehousing reforms following the success of judicial review appeal

Asia

Products

- New products to be launched on 1 Dec 2014 on the HK platform, cash-settled in RMB
- Phase I products launch – London Aluminium/Zinc/Copper Mini Futures

Business Development

- Support existing members in Asia to increase volumes and explore new opportunities
- Hold educational courses in Asia to help attract new business
- Expand physical operations coverage in Asia

Membership

- Promote Asian membership through consultation and assistance on applications
- Expand LME distribution to new end-users
- Planning to introduce reciprocal membership HKFE/LME

Our Asia commodities business will both enhance and leverage the strong LME franchise

Enhanced Platform & Infrastructure Update



Orion Central Gateway (OCG)

- Gradual replacement of legacy distributed Open Gateways
- Increases capacity, introduces new services and reduces infrastructure costs for participants
- Successfully launched for securities market in June 2014

Orion Market Data (OMD)

- Introduces different market data products to meet the diverse needs of participants
- Launched for cash market in Q3 2013
- Mainland Market Data Hub (MMDH) launched in Shanghai in March 2014
- Launch for derivatives market scheduled for Q4 2014

New Securities Trading Device (NSTD)

- Replacement of legacy AMS Terminals and MWS trading devices
- Offers new functionality to participants on a modern architecture
- Migration scheduled to commence in Q4 2014

China Stock Connect (CSC)

- A new order routing system developed for Shanghai-Hong Kong Stock Connect
- To launch together with Shanghai-Hong Kong Stock Connect

LME

- Launch of LMEwire trade reporting service on 12 February 2014
- Successful insourcing of Information Technology from Xchanging on 1 May 2014
- LMEnet service announced 24 July 2014
- LMEbullion to provide London Platinum and Palladium fixings in December 2014