Disclaimer

The information contained in this document is for general informational purposes only and does not constitute an offer, solicitation, invitation or recommendation to subscribe for or purchase any securities, or other products or to provide any investment advice or service of any kind. This document is solely intended for distribution to and use by professional investors. This document is not directed at, and is not intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Hong Kong Exchanges and Clearing Limited (“HKEX”) to any registration requirement within such jurisdiction or country.

This document contains forward-looking statements which are based on the current expectations, estimates, projections, beliefs and assumptions of HKEX about the businesses and the markets in which it and its subsidiaries operate. These forward-looking statements are not guarantees of future performance and are subject to market risk, uncertainties and factors beyond the control of HKEX. Therefore, actual outcomes and returns may differ materially from the assumptions made and the statements contained in this document.

Where this document refers to Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (together, the “Stock Connect” programs), please note that currently, access to northbound trading is only available to intermediaries licensed or regulated in Hong Kong; southbound trading is only available to intermediaries licensed or regulated in Mainland China. Direct access to the Stock Connect is not available outside Hong Kong and Mainland China.

Where this document refers to Bond Connect, please note that currently, access to northbound trading is only available to foreign investors that are able to trade onshore bonds on the China Foreign Exchange Trade System & National Interbank Funding Centre.

Although the information contained in this document is obtained or compiled from sources believed to be reliable, HKEX does not guarantee the accuracy, validity, timeliness or completeness of the information or data for any particular purpose, and shall not accept any responsibility for, or be liable for, errors, omissions or other inaccuracies in the information or for the consequences thereof. The information set out in this document is provided on an “as is” and “as available” basis and may be amended or changed. It is not a substitute for professional advice which takes account of your specific circumstances and nothing in this document constitutes legal advice. HKEX shall not be responsible or liable for any loss or damage, directly or indirectly, arising from the use of or reliance upon any information provided in this document.
Agenda

01  2019 Key Highlights
02  HKEX Group Financial Review
03  Key Performance and Strategic Drivers
04  Appendix
2019 Key Highlights

**Revenue and PAT Growth Despite Macro and Geopolitical Challenges**
Revenue of HK$16.3bn (+3% YoY) | PAT of HK$9.4bn (+1% YoY)

---

**Macro-driven Softness in Cash & Derivatives Markets**
Cash Market ADT -19% YoY | Futures & Options ADV -11% YoY | LME chargeable ADV -2% YoY

---

**Continued Strong IPO Market**
#1 globally in # of IPOs (183) and IPO funds raised (HK$314bn) | Alibaba (HK$101bn) & Budweiser APAC (HK$45bn) listings

---

**Record Stock Connect Revenue for the Third Consecutive Year**
Revenue of HK$1bn (+49% YoY) | A shares in global benchmarks | WVR companies in Southbound Connect

---

**Record Year for Bond Connect**
ADT of RMB10.7bn (+197% YoY) | 1,601 investors onboarded (+218% YoY) | Chinese bonds in global indices

---

**Solid Contribution from Commodities**
EBITDA +5% YoY | New products launched on the LME, HKFE, QME

---

**Leverage New Technology**
Investments in partnerships (BayConnect, Huakong TsingJiao) | Exploring innovation and new technologies
Key Financial Highlights – Record Revenue and Profits Despite Lower Trading Volume

<table>
<thead>
<tr>
<th>(HK$)</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and Other Income</strong></td>
<td>$15.9bn</td>
<td>$16.3bn</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>$11.8bn</td>
<td>$12.3bn</td>
</tr>
<tr>
<td><strong>PAT</strong></td>
<td>$9.3bn</td>
<td>$9.4bn</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>$7.50</td>
<td>$7.49</td>
</tr>
</tbody>
</table>

Revenue and Other Income: $15.9bn in 2018, increasing to $16.3bn in 2019, a 3% growth.

EBITDA: $11.8bn in 2018, increasing to $12.3bn in 2019, a 4% growth.

PAT: $9.3bn in 2018, increasing to $9.4bn in 2019, a 1% growth.

EPS: $7.50 in 2018, decreasing to $7.49 in 2019, a 0% decrease.
HKEX Group Financial Review
### Solid and Resilient Performance against Challenging Macro Backdrop

#### Revenue and Other Income

<table>
<thead>
<tr>
<th>(HK$ million)</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADT</td>
<td>HK$107.4bn</td>
<td>-19% HK$87.2bn</td>
</tr>
<tr>
<td>Net investment income</td>
<td>From external portfolio &amp; interest income</td>
<td></td>
</tr>
<tr>
<td>Depository fees</td>
<td>Due to portfolio fees, scrip fees &amp; stock withdrawal fees</td>
<td></td>
</tr>
<tr>
<td>Partly offset by:</td>
<td>Trading &amp; clearing fees from ADT &amp; ADV</td>
<td></td>
</tr>
<tr>
<td>Listing fees</td>
<td>From newly listed DWs &amp; CBBCs</td>
<td></td>
</tr>
</tbody>
</table>

#### Operating Expenses (1)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excl. HKFRS 16 impact</td>
<td>4,110</td>
<td>4,048</td>
</tr>
<tr>
<td>More than offset by: Premises expenses from impact of adopting HKFRS 16</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### EBITDA

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excl. HKFRS 16 impact</td>
<td>11,757</td>
<td>12,263</td>
</tr>
</tbody>
</table>

#### Profit Attributable to HKEX Shareholders

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excl. LSEG costs</td>
<td>9,312</td>
<td>9,391</td>
</tr>
<tr>
<td>Excl. HKFRS 16 impact</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Basic Earnings Per Share

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>7.50</td>
<td>7.49</td>
</tr>
</tbody>
</table>

1. Excludes depreciation and amortisation, finance costs, share of results of joint ventures, and non-recurring costs arising from the proposed combination with London Stock Exchange Group plc (LSEG).
2. As a result of adopting HKFRS 16: Leases, operating lease rentals are no longer recognised under opex. Instead, they are recognised as right-of-use (RoU) assets and lease liabilities in the consolidated statement of financial position, and they are subsequently charged to P&L under finance costs and depreciation & amortisation.
3. Costs relating to proposed combination with LSEG mainly comprised fees payable to professional advisors of HK$120m and other costs of HK$3m.
2019 Performance Bolstered by Record 1H Performance

2019 quarterly performance reflects resiliency of business and macro environment
Record Stock Connect income and net investment income, alongside good cost control drives earnings

1. Excludes depreciation and amortisation, finance costs, and share of results of joint ventures, and non-recurring costs arising from the proposed combination with LSEG
2. Dotted trend lines are illustrative and do not constitute a forward forecast.
Record Stock Connect Revenue and Higher Investment Income Offset Impact of Lower Trading Volumes and Derivative Listing Fees

Segmental revenue

<table>
<thead>
<tr>
<th>(HK$ million)</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>15,867</td>
<td>16,311</td>
</tr>
<tr>
<td>- (209)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- (515)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- (16)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+118</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+1,008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+16,311</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>%</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+406%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Headline ADT down 19%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Chargeable ADV</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Headline ADT down 19% (2019: HK$87.2bn; 2018: HK$107.4bn); ADT of Cash Equity down 18% (2019: HK$69.2bn; 2018: HK$84.2bn); ADT of DWs, CBBCs and warrants included under Equity and Financial Derivatives down 22% (2019: HK$18.0bn; 2018: HK$23.2bn).

2. Chargeable ADV excludes Admin Trades (which became chargeable from May 2019 at a very low trading fee rate of US$0.04 per contract and clearing fee rate of US$0.02 per contract) and other non-chargeable trades.
2019: HK$2,729m (2018: HK$1,584m, +72% YoY)

### Net investment income by Funds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Funds (Internal)</td>
<td>313</td>
<td>444</td>
<td>131</td>
<td>42%</td>
</tr>
<tr>
<td>Corporate Funds (External)</td>
<td>789</td>
<td></td>
<td>(106)</td>
<td></td>
</tr>
<tr>
<td>Margin Funds</td>
<td>1,319</td>
<td>1,387</td>
<td>78</td>
<td>5.9%</td>
</tr>
<tr>
<td>Clearing House Funds</td>
<td>58</td>
<td>109</td>
<td>51</td>
<td>86.2%</td>
</tr>
</tbody>
</table>

### Average fund size (HK$ billion)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Funds</td>
<td>194.3</td>
<td>170.3</td>
</tr>
<tr>
<td>Margin Funds</td>
<td>25.3</td>
<td>27.9</td>
</tr>
<tr>
<td>Clearing House Funds</td>
<td>19.1</td>
<td>13.6</td>
</tr>
</tbody>
</table>

### Net investment income by category of investments

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; bank deposits</td>
<td>1,643</td>
<td>1,842</td>
</tr>
<tr>
<td>Debt securities</td>
<td>61</td>
<td>103</td>
</tr>
<tr>
<td>Collective investment schemes</td>
<td>789</td>
<td></td>
</tr>
<tr>
<td>FX</td>
<td>(106)</td>
<td>(14)</td>
</tr>
</tbody>
</table>
EBITDA Up 4% Despite Lower Volumes in Cash and Derivatives Markets

<table>
<thead>
<tr>
<th>Cash Equity</th>
<th>Equity &amp; Financial Derivatives</th>
<th>Commodities</th>
<th>Post Trade</th>
<th>Technology</th>
<th>Group Total (incl. Corp. Items)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(HK$ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,271</td>
<td>2,930</td>
<td>698</td>
<td>5,356</td>
<td>508</td>
<td>11,757</td>
</tr>
<tr>
<td>3,043</td>
<td>2,437</td>
<td>731</td>
<td>5,402</td>
<td>551</td>
<td>12,263</td>
</tr>
</tbody>
</table>

EBITDA Margin

<table>
<thead>
<tr>
<th>Cash Equity</th>
<th>Equity &amp; Financial Derivatives</th>
<th>Commodities</th>
<th>Post Trade</th>
<th>Technology</th>
<th>Group Total (incl. Corp. Items)</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>85%</td>
<td>84%</td>
<td>49%</td>
<td>87%</td>
<td>75%</td>
<td>74%</td>
</tr>
<tr>
<td>83%</td>
<td>82%</td>
<td>52%</td>
<td>87%</td>
<td>69%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Trading fees & tariffs from ADT of equity products
Listing fees due to listed companies and futures
Opex due to staff costs and Stock Connect IT costs, partly offset by premises expenses

Trading fees & tariffs from ADT of DWs, CBBCs & warrants and futures and options ADV
Listing fees due to newly listed DWs and CBBCs
Opex due to premises expenses, and professional fees

Trading fees from LME chargeable ADV
OTC booking fees
Opex due to premises expenses, and professional fees

Clearing fees from ADT and SI and LME chargeable ADV
Investment income due to interest rates
Depository fees from portfolio fees, scrip fees & stock withdrawal fees
Opex due to staff costs and IT costs, partly offset by premises expenses

Network fees: usage of Orion Central Gateway by new and existing EPs, additional fees from throttle usage fees, and China Connect Central Gateway fees
Opex due to inclusion of iLab opex and BayConnect opex

EBITDA Margin

1. As a result of adopting HKFRS 16: Leases, operating lease rentals are no longer recognised under opex. Instead, they are recognised as right-of-use (RoU) assets and lease liabilities in the consolidated statement of financial position, and they are subsequently charged to P&L under finance costs and depreciation & amortisation.
2. iLab opex was previously included under Corporate Items in 2018, and it is now included under Technology segment as a result of the Group’s reorganisation in 2019.
3. The acquisition of BayConnect was completed in June 2019 and its opex is included under Technology segment.
## Operating Expenses – Investments in Talent and IT Systems

Total opex excluding depreciation and amortisation – 2019: HK$4,048m (2018: HK$4,110m)

<table>
<thead>
<tr>
<th>Staff costs and related expenses</th>
<th>IT &amp; computer maintenance exp</th>
<th>Premises expenses</th>
<th>Professional fees</th>
<th>Other operating expenses (1)</th>
<th>Depreciation and amortisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(HK$ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018 2,540</td>
<td>2019 2,703</td>
<td>2018 508</td>
<td>2019 588</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excl HKFRS 16 Impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018 2,540 6%</td>
<td>2019 2,703 6%</td>
<td>2018 437 14%</td>
<td>2019 427 16%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>➤ due to headcount and annual payroll adjustments</td>
<td>➤ due to maintenance expenses for new IT systems and network upgrades</td>
<td>➤ due to the adoption of HKFRS 16(2)</td>
<td>➤ Professional fees incurred for strategic initiatives</td>
<td>➤ Product &amp; marketing expenses and repairs &amp; maintenance costs</td>
<td>➤ due to the adoption of HKFRS 16(2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>773</td>
<td>1,044</td>
</tr>
</tbody>
</table>

1. Includes product marketing and promotion expenses.
2. As a result of adopting HKFRS 16: Leases, operating lease rentals are no longer recognised under opex. Instead, they are recognised as right-of-use (RoU) assets and lease liabilities in the consolidated statement of financial position, and they are subsequently charged to P&L under finance costs and depreciation & amortisation.

Proforma amount before adoption of HKFRS 16
Key Performance and Strategic Drivers
HKEX – Strong Core Business with Unparalleled Growth Opportunities

1 | Sole exchange group in Asia’s leading financial centre with robust and resilient business model underpinned by
   ▪ Internationally trusted financial markets
   ▪ Diverse investor mix and comprehensive offerings across the value chain

2 | Strong structural growth in equities sustained by
   ▪ Our role as the primary offshore capital formation centre for China
   ▪ Our entrenched connectivity between global and Chinese capital flows, enhancing operating leverage and delivering profitability

3 | Future growth opportunities in FICC and technology
   ▪ Replicating China-driven success in equities
   ▪ Leveraging technology and China’s highly digitalised economy to secure our competitiveness
Our 2019-2021 Strategic Vision

The Global Markets Leader in the Asian Time Zone – Connecting China, Connecting the World

China Liquidity

New Horizons

Equities

Commodities

Southbound

Global Liquidity

Leveraging new technology for modernisation and growth

Globally Connected

Bringing global liquidity to China and Asia Pacific underlying

China Markets

China Underlying

Global Markets

Global Underlying

Technology Empowered

Facilitating China's internationalisation and investment diversification
Sole Exchange Group in Asia’s Leading Financial Centre with Robust and Resilient Business Model

- **Sole operator** of Cash and Derivatives markets and Post Trade infrastructure in HK

- International financial centre backed by **rule of law and respected legal system**, supported by skilled and professional financial community

- Diverse base of international, regional and local investors attracted to **broad product ecosystem**

- Competitive, **transparent fee structure**, alongside a transaction-based government fiscal regime

- **Proven management track record** of delivering strategic initiatives and financial performance
Globally leading IPO venue attracting both Mainland and international issuers

Destination market for new economy issuers

Major IPOs fueling increased trading activity

Northbound Connect ensures Hong Kong continues to benefit from the long-term growth in the onshore capital markets

Southbound Connect secures Hong Kong’s role as the primary destination market for Mainland investors’ global diversification drive

Sustained Mainland capital flow will cement Hong Kong’s role as a destination market for international underlying
Future Growth Opportunities in Replicating Our China Connectivity in Equities and Leveraging Technology to Transform FICC

- Early stage in HKEX’s **FICC journey**
- **Initial success in commodities** – “buy one (LME), build one (QME)”
- RMB internationalisation will help create a major FIC market in the Asian time zone and we plan to replicate our track record in equities, with **Bond Connect demonstrating notable success** in its initial phase
- **Grow our FICC capability and international footprint** when the right opportunities present themselves
- **Leverage technology and partnerships** (AI, blockchain, data) to develop new ways to compete in the emerging FICC space and China’s digitalised economy
Our 2019-2021 Strategic Vision

The Global Markets Leader in the Asian Time Zone – Connecting China, Connecting the World

- China Liquidity
- Global Liquidity
- China Markets
- Global Markets
- China Underlying
- Global Underlying

China Anchored
Facilitating China’s internationalisation and investment diversification

Technology Empowered
Leveraging new technology for modernisation and growth

Globally Connected
Bringing global liquidity to China and Asia Pacific underlying
Core Business Well-Positioned for Organic and Structural Growth

**A | Broad Product Ecosystem Attracting Diverse Mainland and International Investor Base**

- **Securities ADT (HK$ billion)**
  - CAGR +5.7%
  - 63, 69, 106, 88, 107, 87

- **Southbound Connect**
- **Jumbo IPOs**
- **Global Investors**

- **Derivatives ADV (’000 contracts)**
  - CAGR +12.3%
  - 533, 577, 769, 762, 870, 1,204, 1,069

- **Risk Management**
- **Algo / Quant Investors**
- **After-hours Trading**

---

**B | IPOs Driving ADT Growth**

- **# of IPOs**
- **Total IPO funds raised (US$ billion)**

- **Global fundraising rank**
  - #3, #2, #1, #3, #1, #1

- **New Economy Listing Reforms**
  - Biotech
  - WVR
  - Secondary Listings

- **Strong Pipeline of Mainland and International Listings**

---

**C | Transformational Growth from China’s Opening**

- **Northbound ADT (RMB billion)**
  - CAGR +60.0%
  - 6, 5, 10, 20, 42

- **Southbound ADT (HK$ billion)**
  - CAGR +33.5%
  - 3, 4, 10, 13, 11

- **Continuing Portfolio Diversification**
- **A-share Inclusion in Global Benchmarks**
- **SB Connect Limited by Investor Eligibility Cap**

---

Source: HKEX, Dealogic.

1. Shanghai-HK and Shenzhen-HK Stock Connect was launched in Nov 2014 and Dec 2016 respectively.
2. Buy + Sell ADT.
A Diverse International Investor Base Attracted to Broad Product Ecosystem

1. HKEX signed a license agreement with MSCI to introduce futures contracts on the MSCI China A Index, subject to regulatory approval and market conditions.

Recent initiatives and future focus

- Market microstructure enhancements: leading to better price discovery and trade efficiency
- Targeted marketing and client support: onboarding 10+ clients each year
- Incentives: driving increased volumes
- Product cross-selling: creating arbitrage opportunities

Algo / Quant Participation in Cash Market

<table>
<thead>
<tr>
<th>Relatively low</th>
<th>Due to…</th>
</tr>
</thead>
<tbody>
<tr>
<td>(circa. 10-20% of ADT)</td>
<td>Presence of stamp duty, Minimal high frequency trading, Single market structure</td>
</tr>
</tbody>
</table>

Algo / Quant Participation in Derivatives Market

<table>
<thead>
<tr>
<th>Relatively high</th>
<th>Driven by…</th>
</tr>
</thead>
<tbody>
<tr>
<td>(circa. 30-40% of ADV)</td>
<td>No stamp duty, Product ecosystem, Capital efficiency</td>
</tr>
</tbody>
</table>
Rising Cash Market ADT Contribution from Major IPOs

ADT (HK$ million)
- % of Cash Market ADT
- 5 largest IPOs and related Structured Products ADT

<table>
<thead>
<tr>
<th>Year</th>
<th>ADT</th>
<th>% of Cash Market ADT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,624</td>
<td>1.8%</td>
</tr>
<tr>
<td>2018</td>
<td>3,294</td>
<td>3.1%</td>
</tr>
<tr>
<td>2019</td>
<td>5,135</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

12.7% of 2019 ADT was contributed by the 5 largest IPOs in the last three years

Factors Driving Growth

Major IPOs
- Global #1 IPO venue, drawing leading Chinese and international issuers to HK
- Attracted the world’s 2nd and 4th largest offerings in 2019 (Alibaba and Budweiser APAC)

Increasing share of new economy issuers in HK
- Facilitated by the Listing Reforms in 2018
- Extension of Connect to cover WVR companies (Xiaomi, Meituan)

Wide range of products and risk management tools
- Liquidity further boosted by broad product ecosystem (ETPs, DWs, CBBCs, futures and options) for the underlying issuer

13% of 2019 ADT was contributed by the 5 largest IPOs in the last three years
1. Shanghai-HK and Shenzhen-HK Stock Connect was launched in Nov 2014 and Dec 2016 respectively.

2. Foreign participation in CIBM was first allowed in 2010 when the PBOC rolled out a Pilot Scheme to allow foreign financial institutions to invest in CIBM.


- Continuing portfolio diversification by Mainland and international investors
- Inclusion of A shares into major global benchmarks
- Increasing selection of new economy companies in Southbound Stock Connect

Benefiting from the increased capital flow into and out of Mainland China, in particular inbound flows driven by international index inclusions

Source: HKEX, Bond Connect, ChinaBond, SCH; data as of Dec 2019 (unless otherwise specified).

1. Shanghai-HK and Shenzhen-HK Stock Connect was launched in Nov 2014 and Dec 2016 respectively.
2. Foreign participation in CIBM was first allowed in 2010 when the PBOC rolled out a Pilot Scheme to allow foreign financial institutions to invest in CIBM.
Focus on Organisational Excellence and CSR

HKEX is focused on the pursuit of organisational excellence

**INVESTMENT IN TALENT AND CULTURE**
- Newly-articulated Purpose, Vision and Values
- CE Awards
- Leadership Team development programme
- Group-wide People Survey

**GLOBAL STAKEHOLDER ENGAGEMENT**
- World Economic Forum 2020 Strategic Partner
- Raised HK$1 billion for the Community Chest of HK since 1999
- Strong regulatory, industry and customer engagement

**RESILIENCY AND SUSTAINABILITY**
- HKEX Future Workplace Programme
- Sustainability Leader in S&P Global’s Sustainability Yearbook 2020
- Redefined CSR strategy
- New HKEX Foundation
HKEX – Strong Core Business with Unparalleled Growth Opportunities

1 | Sole exchange group in Asia’s leading financial centre with robust and resilient business model underpinned by
   ▪ Internationally trusted financial markets
   ▪ Diverse investor mix and comprehensive offerings across the value chain

2 | Strong structural growth in equities sustained by
   ▪ Our role as the primary offshore capital formation centre for China
   ▪ Our entrenched connectivity between global and Chinese capital flows, enhancing operating leverage and delivering profitability

3 | Future growth opportunities in FICC and technology
   ▪ Replicating China-driven success in equities
   ▪ Leveraging technology and China’s highly digitalised economy to secure our competitiveness
2019 Financial Year

- Revenue and other income, up 3% to HK$16.3bn
- EBITDA, up 4% to HK$12.3bn
- PAT, up 1% to HK$9.4bn
- Solid and resilient performance

... Welcome questions

Q&A Session begins now
Appendix
## Financial Highlights – Income Statement

<table>
<thead>
<tr>
<th>(HK$ million, unless stated otherwise)</th>
<th>2019</th>
<th>% of Revenue &amp; Other Income</th>
<th>2018</th>
<th>% of Revenue &amp; Other Income</th>
<th>Y-o-Y Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Results</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue and other income</td>
<td>16,311</td>
<td>100%</td>
<td>15,867</td>
<td>100%</td>
<td>3%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(4,048)</td>
<td>(25%)</td>
<td>(4,110)</td>
<td>(26%)</td>
<td>(2%)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>12,263</td>
<td>75%</td>
<td>11,757</td>
<td>74%</td>
<td>4%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(1,044)</td>
<td>(6%)</td>
<td>(762)</td>
<td>(5%)</td>
<td>37%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>11,219</td>
<td>69%</td>
<td>10,995</td>
<td>69%</td>
<td>2%</td>
</tr>
<tr>
<td>Costs relating to proposed combination with LSEG</td>
<td>(123)</td>
<td>(1%)</td>
<td>-</td>
<td>0%</td>
<td>N/A</td>
</tr>
<tr>
<td>Finance costs and share of profits less losses of joint ventures</td>
<td>(145)</td>
<td>(1%)</td>
<td>(112)</td>
<td>(1%)</td>
<td>29%</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>10,951</td>
<td>67%</td>
<td>10,883</td>
<td>69%</td>
<td>1%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(1,561)</td>
<td>(10%)</td>
<td>(1,592)</td>
<td>(10%)</td>
<td>(2%)</td>
</tr>
<tr>
<td>Loss attributable to non-controlling interests</td>
<td>1</td>
<td>0%</td>
<td>21</td>
<td>0%</td>
<td>(95%)</td>
</tr>
<tr>
<td><strong>Profit attributable to HKEX shareholders</strong></td>
<td>9,391</td>
<td>58%</td>
<td>9,312</td>
<td>59%</td>
<td>1%</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$7.49</td>
<td></td>
<td>$7.50</td>
<td></td>
<td>(0%)</td>
</tr>
<tr>
<td>Headline ADT on the Stock Exchange</td>
<td>$87.2 bn</td>
<td></td>
<td>$107.4 bn</td>
<td></td>
<td>(19%)</td>
</tr>
<tr>
<td>Capex</td>
<td>$1,068 m</td>
<td></td>
<td>$988 m</td>
<td></td>
<td>8%</td>
</tr>
</tbody>
</table>

1. % does not add up due to roundings.
## Performance by Operating Segment

<table>
<thead>
<tr>
<th>HK$ million</th>
<th>Cash Equity</th>
<th>Equity &amp; Financial Derivatives</th>
<th>Commodities</th>
<th>Post Trade</th>
<th>Technology</th>
<th>Corporate Items</th>
<th>Group 2019</th>
<th>Group 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and other income</strong></td>
<td>3,646</td>
<td>2,988</td>
<td>1,399</td>
<td>6,226</td>
<td>796</td>
<td>1,256</td>
<td>16,311</td>
<td>15,867</td>
</tr>
<tr>
<td>% of Group Total</td>
<td>22%</td>
<td>18%</td>
<td>9%</td>
<td>38%</td>
<td>5%</td>
<td>8%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>(603)</td>
<td>(551)</td>
<td>(668)</td>
<td>(824)</td>
<td>(245)</td>
<td>(1,157)</td>
<td>(4,048)</td>
<td>(4,110)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3,043</td>
<td>2,437</td>
<td>731</td>
<td>5,402</td>
<td>551</td>
<td>99</td>
<td>12,263</td>
<td>11,757</td>
</tr>
<tr>
<td>% of Group Total (1)</td>
<td>25%</td>
<td>20%</td>
<td>6%</td>
<td>44%</td>
<td>4%</td>
<td>1%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>83%</td>
<td>82%</td>
<td>52%</td>
<td>87%</td>
<td>69%</td>
<td>8%</td>
<td>75%</td>
<td>74%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(128)</td>
<td>(94)</td>
<td>(327)</td>
<td>(237)</td>
<td>(39)</td>
<td>(219)</td>
<td>(1,044)</td>
<td>(762)</td>
</tr>
<tr>
<td>Costs relating to proposed combination with LSEG</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(123)</td>
<td>-</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(15)</td>
<td>(12)</td>
<td>(8)</td>
<td>(82)</td>
<td>(1)</td>
<td>(59)</td>
<td>(177)</td>
<td>(114)</td>
</tr>
<tr>
<td>Share of profits less losses of joint ventures</td>
<td>38</td>
<td>(6)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>32</td>
<td>2</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>2,938</td>
<td>2,325</td>
<td>396</td>
<td>5,083</td>
<td>511</td>
<td>(302)</td>
<td>10,951</td>
<td>10,883</td>
</tr>
</tbody>
</table>

1. % Share of Group EBITDA (including Corporate Items)
Drivers of Trading and Clearing Revenue
Relationship between headline ADT and overall trading and clearing income is not linear

1. Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures
2. Chargeable ADV excludes Admin Trades (which became chargeable from May 2019 at a very low trading fee rate of US$0.04 per contract and clearing fee rate of US$0.02 per contract) and other non-chargeable trades.

### Cash Equity
- **HK$84.2bn**
  - **ADT**
  - **HK$69.2bn**

### Equity & Financial Derivatives
- **HK$23.2bn**
  - **ADT**
  - **HK$18.0bn**

### Commodities
- **LME chargeable ADV**
  - **ADT**
  - **SI**

### Post Trade
- **LME chargeable ADV**
- **SI**

1,415
2,462
1,069
3,281

1,399
2,076
1,036
3,160

### Relationship between headline ADT and overall trading and clearing income is not linear

**Q1 2017**

- Stock Exchange listing fees
- Clearing and settlement fees
- Depository, custody and nominee services fees

**Q1 2018**

- Other revenue and sundry income
- Net investment income

**Net investment income**

**Q1 2017**

**Q1 2018**
Revenue diversification following acquisition of LME and growing Derivatives Market

1. Includes all products traded on Cash Market platform (i.e. equity products, DWs, CBBCs and warrants)
**Stock Connect – Trading Trends**

Stock Connect generated record income of HK$1bn in 2019, 49% higher than 2018

- Northbound turnover was significantly higher in 2019, continuing on the strong performance in 2018 especially after the A-shares inclusion in global indexes
- Southbound trading has picked up versus 2H 2018 due to better market conditions

**Index inclusions in 2019 have boosted Northbound turnover**

Source: HKEX; data as of Jan 2020
1. Northbound (NB) trading is conducted in RMB; The NB figures in the chart are converted to HKD based on the month-end exchange rate.
2. Does not add up due to roundings.
Thank You

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