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.
2018 – Key Highlights

**Record full year revenue and PAT**
Revenue of $15.9bn (+20% YoY) and PAT of $9.3bn (+26% YoY)

**Record volumes in Cash and Derivatives Markets**
Cash Market headline ADT +22% YoY, Futures and Options ADV +38% YoY, LME chargeable ADV +5% YoY

**World leader in IPO funds raised**
the 6th time in the last 10 years, with total funds raised of $288 billion

**Stock Connect 4 year anniversary**
2018 enhancements include expanding the daily quota, launching Northbound Investor ID and reaching consensus with mainland exchanges to include WVR companies in Southbound Connect – revenue of $678m (+65% YoY)

**Growth in Bond Connect**
ADT reached RMB3.6 billion, foreign holdings in China’s interbank bond market more than doubled to RMB1.7 trillion as of December, Bloomberg became Bond Connect’s second trading platform

**Solid contribution from Commodities**
LME volumes returned to growth, Qianhai Mercantile Exchange spot trading platform launched in October, a foundation for HKEX’s commodities business in China
Volumes Increased Across All Asset Classes

Securities ADT (HK$ billion)

Derivatives ADV (‘000 contracts)

Total Funds Raised (HK$ billion)

Commodities ADV (‘000 lots)

Source: HKEX & LME data
(1) 2019 YTD as of 28 Feb 2019.
(2) Excluding Admin Trades, Commodities Feb YTD 2019 is 591,290 lots.
Hong Kong is Consistently the World’s Largest IPO Market

Ranked No. 1 for 6 in the Past 10 Years

Global Ranking in 2019(1)

Source: HKEX, Dealogic data
(1) As of 28 Feb 2019
### Record Financial Performance

<table>
<thead>
<tr>
<th>Revenue and Other Income ($ million)</th>
<th>+ 20%</th>
<th>Operating Expenses (1)</th>
<th>+ 15%</th>
<th>EBITDA</th>
<th>+ 22%</th>
<th>Profit Attributable to HKEX Shareholders</th>
<th>+ 26%</th>
<th>Basic Earnings Per Share ($)</th>
<th>+ 24%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2017</strong></td>
<td></td>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>2017</strong></td>
<td></td>
<td><strong>2018</strong></td>
<td></td>
</tr>
<tr>
<td>Revenue and Other Income</td>
<td>13,180</td>
<td>15,867</td>
<td>3,566</td>
<td>4,110</td>
<td>9,614</td>
<td>11,757</td>
<td>7,404</td>
<td>9,312</td>
<td>6.03</td>
</tr>
</tbody>
</table>

### Notes:

- **ADT**
  - $88.2bn +22% $107.4bn

- **EBITDA Margin**
  - 73%

- **Group EBITDA margin**
  - 1%

- **PAT % more than EBITDA due to D&A**

- **% increase lower than PAT due to shares issued for scrip dividends**

- (1) Excludes depreciation and amortisation, finance costs, and share of profits less losses of joint ventures
Revenue Movement by Segment
Excellent performance from Equity, Derivatives and Clearing
($ million)

Increase came from cash and derivatives trading & clearing fees and listing fees

2017 | Cash Equity | Equity and Financial Derivatives | Commodities | Clearing | Platform and Infrastructure | Corporate Items | 2018 |
--- | --- | --- | --- | --- | --- | --- | --- |
13,180 | 492 | 1,308 | (21) | 1343 | 118 | (553) | 15,867 |

% Change year-on-year

Trading fees & tariffs from ADT of equity products
Listing fees due to listed cos and record IPOs
Trading fees from ADT of DWs, CBBCs & warrants, and record derivatives ADV
Listing fees due to record newly listed DWs and CBBCs
Trading fees from fee discounts but partly offset by new OTC booking fee
Clearing fees from HK ADT and SI
Net investment income due to Margin Fund size and return
Network fees due to sales of throttles driven by MSCI inclusion, new EPs and China Connect EPs migrating to new China Connect Central Gateway
External portfolio excluding interest income

(1) Headline ADT up 22% (2018: $107.4bn; 2017: $88.2bn); ADT of cash equity up 18% (2018: $84.2bn; 2017: $71.2bn); ADT of DWs, CBBCs and warrants included under equity and financial derivatives up 36% (2018: $23.2bn; 2017: $17.0bn)
Segmental EBITDA
Higher total EBITDA with particularly good performance from Equity, Derivatives and Clearing

<table>
<thead>
<tr>
<th>Cash Equity</th>
<th>Equity &amp; Financial Derivatives</th>
<th>Commodities</th>
<th>Clearing</th>
<th>Platform &amp; Infrastructure</th>
<th>Group Total (incl. Corp. Items)</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ 18%</td>
<td>+ 71%</td>
<td>- 10%</td>
<td>+ 32%</td>
<td>+ 24%</td>
<td>+ 22%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% EBITDA Margin</th>
<th>% Share of Group EBITDA (before Corporate Items)</th>
</tr>
</thead>
<tbody>
<tr>
<td>83%</td>
<td>85%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% EBITDA Margin</th>
<th>% Share of Group EBITDA (before Corporate Items)</th>
</tr>
</thead>
<tbody>
<tr>
<td>78%</td>
<td>84%</td>
</tr>
<tr>
<td>54%</td>
<td>49%</td>
</tr>
<tr>
<td>84%</td>
<td>87%</td>
</tr>
<tr>
<td>73%</td>
<td>75%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2,782</td>
<td>3,271</td>
<td>1,718</td>
<td>2,930</td>
<td>777</td>
<td>698</td>
<td>4,073</td>
<td>5,356</td>
</tr>
<tr>
<td>28%</td>
<td>26%</td>
<td>18%</td>
<td>23%</td>
<td>8%</td>
<td>5%</td>
<td>42%</td>
<td>42%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,614</td>
<td>11,757</td>
<td>100%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Trading fees & tariffs due to ADT of equity products
Trading fees due to ADT of DWs, CBBCs & warrants, and record derivatives ADV
Listing fees due to record newly listed DWs and CBBCs
Opex due to allocated costs of Listing Division
Trading fees from fee discounts
Opex due to one-off insurance recovery of legal costs in 2017, LME staff costs, legal & professional fees for strategic initiatives, partly offset by QME opex from staff costs
Clearing fees from HK ADT and SI
Net investment income on Margin Fund size and return
Opex due to staff costs, IT costs and premises expenses
Network fees due to sales of throttles driven by MSCI inclusion, new EPs and China Connect EPs migrating to new China Connect Central Gateway
Overall EBITDA margin 1%
Quarterly Trend
Q1-Q3 2018 performance significantly above historical trend line

Quarterly performance

($ million)

- Profit attributable to Shareholders
- Revenue and Other Income
- Operating Expenses\(^{(1)}\)
- EBITDA

Quarterly performance

(1) Excludes depreciation and amortisation, finance costs, and share of profits less losses of joint ventures

(2) Dotted trend lines are illustrative and do not constitute a forward forecast

Strong ADT and ADV in the first three quarters of 2018, moderating in Q4, resulting in overall record financial performance for the year
Agenda

1. HKEX Group Financial and Market Update
2. HKEX Strategic Plan 2019-2021
3. China Connectivity Update
4. Appendix
   Financial supplement
Our Journey So Far

1980s
- Merger of four stock exchanges
- Launched flagship product suite: HSI Futures
- Growing international investors participation but Hong Kong market wasn’t globally significant

1990s
- H-Share listings
- Electronification of trading
- Structured products expansion

2000s
- Demutualisation
- Technology consolidation
- Major Chinese SOE and private enterprise IPOs

2010s
- China Connectivity
- FICC Expansion
- Listing Reforms

2019–
- **Largest** Listed Exchange Group in Asia Pacific
- **#1** in IPO Funds Raised Globally in 2018
- **Pioneer** in China Connectivity
- **Multi-asset Class**: Equities, FIC, Commodities

**WHERE ARE WE TODAY?**
Our 2019-2021 Strategic Vision

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

China Liquidity | Global Liquidity
---|---
Direct Access | Direct Access
Southbound | Northbound

China Markets | Global Markets
---|---

China Underlying | Global Underlying
---|---

Equity | FIC | Commodities | International
---|---|---|---

Post-trade Infrastructure

China Anchored | Technology Empowered | Globally Connected
---|---|---
Facilitating China’s internationalisation and investment diversification | Leveraging new technology for modernisation and growth | Bringing global liquidity to China and Asia Pacific underlying
### Strategic Plan 2019-2021

#### Key Initiatives

**China Anchored**

1. **Expand Northbound capital inflows** by broadening the availability of onshore products and underlying, and through delivering more risk management tools offshore.
2. **Expand Southbound capital allocation** to facilitate Mainland investors’ investment diversification by offering more global underlying.
3. **Expand post-trade infrastructure** to position Hong Kong as the trusted and secure cross-border trading, settlement, clearing and custody centre, particularly in FICC, and address the capital efficiency needs of both Northbound and Southbound capital.

**Globally Connected**

1. **Enhance our product ecosystem across asset classes**, providing global liquidity with more comprehensive access to Hong Kong-listed or traded Asia Pacific underlying in addition to our existing offering, and onshore Chinese products through the Connect programmes.
2. **Improve our market microstructure** to make our markets more globally competitive, cost effective and accessible, in order to enhance overall market liquidity.
3. **Expand our international footprint further** to broaden and deepen our global operations beyond LME.

**Technology Empowered**

1. **Modernise our core systems** to enhance product and service offerings and improve market and operational efficiency.
2. **Leverage new technology**, including artificial intelligence, Blockchain, cloud infrastructure, and data analytics, in an agile manner to optimise processes, strengthen client engagement, and engage different parts of our value chain to deliver cost-effective outcomes.
3. **Expand our horizons** by leveraging our regulatory and market trust and partnering with China’s technology leaders to explore and pioneer in completely new frontiers, particularly with respect to data as a new asset class for the financial markets.
The key strategies for growing our equities business are:

**Clients**
- Improve ease of access
- Expand client base through Stock Connect enhancements and remote participation
- Expand our international footprint

**Products**
- Grow breadth of underlying through Listing Rule enhancements & working with ETP issuers
- Coordinated approach on building product ecosystem to promote liquidity
- Market microstructure improvements

**Market Microstructure**
- Listing: IPO settlement cycle, listing requirements, corporate action enhancement
- Trading: lower frictional costs e.g. tick size reduction, block trade enhancement
- Post-trade: improve capital efficiency e.g. cross-margining, widen collateral scope
Growth in Quant Volumes

Breakdown of Our Turnover Growth

Factors Supporting Growth in Quant Trading Activity

HK$ bn

2010  2018

Traditional Institutional  69  69
Southbound Stock Connect  6  6
Quantitative  26  26

- Increased relevance of the HK market to global investors
- Increased awareness of HK market
- Targeted client support
- Improved incentives package
- Singapore office presence
- Product cross-selling
- Cross-product arbitrage

Growing our quant activity has required improved marketing and client focus, but has not involved major capex or opex
We have seen strong growth in cash and derivatives revenues in recent years, but our liquidity remains highly concentrated.
The Importance of Product Ecosystem

The launch of A-share derivatives will further integrate our ecosystem of HK and onshore underlying

(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
Driving Breadth and Depth of Liquidity in Our Market

Improving efficiency at each level of the trade cycle

- Improve Ease of Access
  - Streamline onboarding process
  - Review incentives packages
  - Enhance market making programmes
  - Remote participanthip

- Reduce Frictional Trading Costs
  - Expand short selling eligibility
  - Review board lot and tick sizes
  - Block trading enhancements

- Improve Capital Efficiency
  - Position limit enhancements
  - Improved cross-margining capabilities
  - Broader non-cash collateral scope

- Enhance Risk Management & Market Integrity
  - Market-wide circuit breaker
  - Volatility Control Mechanism enhancements
  - Self-trade prevention

Attracting a broader client base and improving market efficiency will encourage more liquidity across the whole market.
Three New Chapters to Attract Emerging & Innovative Companies

Changes to Main Board Rules implemented on 30 April 2018:

1. **BIOTECH Chapter**
   - Attract R&D focused Biotech companies
     - At least one Core Product beyond concept stage (e.g., completed FDA Phase I)
     - Market cap ≥ HK$1.5bn
     - Primarily engaged in R&D to develop Core Product(s)
     - Meaningful third party investment from sophisticated investors

2. **WVR Chapter**
   - Attract innovative and high growth companies
     - Must be an innovative company with high growth
     - WVR shares for individuals only - must be directors and been responsible for growth of business
     - Market cap ≥ HK$10bn and ≥ HK$1bn of revenue
     - Meaningful third party investment from sophisticated investors
     - Need to meet additional disclosure requirements and safeguards

3. **SECONDARY LISTING Chapter**
   - Attract innovative and high growth companies
     - Allow Greater China companies to secondary list in Hong Kong
     - Market cap ≥ HK$10bn and ≥ HK$1bn of revenue
     - Primary listed on NYSE / NASDAQ / LSE for at least 2FYs with good compliance

8 New Chapters Listings raising HK$96bn. Another 4 IPO applications received under New Chapters as of 7 Mar 2019

---

1. Revenue requirement applies if market cap is less than HK$40bn
2. Revenue requirement applies if market cap is less than HK$40bn and the issuer has WVR or has a “centre of gravity” in the Greater China region
3. Main Market of the LSE (and belonging to the UK FCA’s “Premium Listing” segment)
4. Xiaomi ($43bn), Meituan Dianping ($33bn), Ascletis ($3bn), BeiGene ($7bn), Hua Medicine ($0.9bn), Shanghai Junshi ($3bn), Innovent ($4bn) and CStone Pharmaceuticals ($2bn)
2019-2021 Strategy – FICC Themes

**Fixed Income and Currency**
- Facilitate CNY access
- Enhance Bond Connect
- Expand suite of offshore rates / FX derivatives on onshore underlying
- Build post-trade infrastructure (custody, settlement, collateral management, FX)

**Commodities**
- Expand product suite
- Pricing evolution
- Mainland China warehouses
- Commodity Connect
**Key Components of Our FIC Strategy**

**Expand Existing Platform**
- Bond Connect enhancements
- Listed bonds and derivatives
- Southbound Bond Connect

**Capture CNY Opportunities**
- CNY accessibility – repository, tracking and monitoring
- IRS and repo + Derivatives Connect
- CNY trading platform

**Invest in Post-Trade Infrastructure**
- Custody, settlement and collateral management
- Trade repository and monitoring
- International linkages
LME Group Integration Process Complete...

Post-acquisition integration and LME Clear launch

Commercialisation of the platform

Strategic pathway, future platform development and revised fee structure

Source: LME data
(1) Excluding Admin Trades, 2018: 629,556 lots.
…with Commodities Now a Core Part of the HKEX Strategic Plan

GLOBALLY CONNECTED

CHINA ANCHORED

TECHNOLOGY EMPOWERED

Expand commodities product suite

Pricing evolution

Commodity Connect

Mainland China warehouses

New market data and trading platform

Business underpinned by culture, values and corporate social responsibility (“CSR”)
Our Technology Focus in the Coming Three Years

Modernise Core Infrastructure

• Orion Trading Platform rollout to LME (2020) and Derivatives (2022)
• Next Generation Post-Trade infrastructure

Leverage New Technologies

• Approach different segments of our value chain with DLT and Artificial Intelligence
• Digitise and automate client interactions and manual processes
• Grow our capabilities in data systems and analytics

Explore New Horizons

• Innovation Lab to evaluate and prototype FinTech applications
• Partner with China’s technology leaders to enter new business areas
Agenda

1. HKEX Group Financial and Market Update
2. HKEX Strategic Plan 2019-2021
3. China Connectivity Update
4. Appendix
   Financial supplement
The Penetration Level of Equity Market through Stock Connect

<table>
<thead>
<tr>
<th></th>
<th>% of domestic market included in Stock Connect</th>
<th>Stock Connect Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MUTUAL MARKET</td>
<td>(% of all Mainland &amp; HK listed companies)</td>
</tr>
<tr>
<td></td>
<td>SSE</td>
<td>84% of total market cap</td>
</tr>
<tr>
<td></td>
<td>SZSE</td>
<td>66% of total turnover</td>
</tr>
<tr>
<td>By Market Cap</td>
<td></td>
<td>30% of total number of companies</td>
</tr>
<tr>
<td></td>
<td>SSE</td>
<td>86%</td>
</tr>
<tr>
<td></td>
<td>SZSE</td>
<td>74%</td>
</tr>
<tr>
<td>By Turnover</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSE</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>SZSE</td>
<td>66%</td>
</tr>
<tr>
<td>By Number</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSE</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>SZSE</td>
<td>35%</td>
</tr>
</tbody>
</table>

Stock Connect covers the majority of the market by market cap and turnover.

Source: SSE, SZSE, HKEX.
Data as of 31 Jan 2019.
Market Activity in Mainland and Hong Kong Markets

Note: Data as of 28 Feb 2019
Source: HKEX, SSE, SZSE & Bloomberg.

2018
- Major volatility in 2018 due to geopolitical risk and escalating US/China tensions.
- Despite weakening sentiment, cash market reached highest full-year ADT partly due to new listing reform and Stock Connect.
- Continue to enhance product portfolio by capitalizing on A shares inclusion in MSCI indices.

2019
- Market remains uncertain from ongoing US and China trade negotiation.
- Northbound trading volumes picked up on MSCI review for increasing the inclusion factor of A shares. NB record high of RMB75bn on 4th Mar.
Stock Connect – Trading Trends
Stock Connect contributed $678m in income in 2018 (4.3% of Group revenue), 65% higher than 2017

Stock Connect Average Daily Trading Volume (HKD bn)

- Southbound turnover picked up after the announcement of Shenzhen-Hong Kong Stock Connect\(^2\) and the approval of onshore insurance funds to trade through Shanghai-Hong Kong Stock Connect\(^3\)
- Northbound turnover exceeded Southbound in 2018 in particular after the MSCI A-shares inclusion

Further index inclusions in 2019 are expected to stimulate Northbound turnover

Source: HKEX data as of 28 Feb 2019
* NB record of RMB75bn on 4 March as of 7 March 2019
(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) CSRC and SFC jointly announced the approval of Shenzhen-Hong Kong Stock Connect on 16 Aug 2016
(3) China Insurance Regulatory Commission (CIRC) published the notice on 8 Sep 2016
Roadmap of Major Index Inclusion of A-shares

China A-shares Inclusion

MSCI

TODAY\(^{(1)}\)  
0.72%  
IF=5\(^{(2)}\)

2019  
3.33%  
IF=20\(^{(2)}\)

2020  
3.33%  
IF=20\(^{(2)}\)

FTSE Russell

nil

Further inclusion – some determining factors

- Access to hedging and derivatives products
- Short settlement cycle of China A shares
- Trading holidays of Stock Connect
- Availability of Omnibus trading mechanism in Stock Connect

- Increase in the aggregate QFII and RQFII quota levels
- Increase in the breadth of Stock Connect coverage
- Availability of DVP via QFII and RQFII
- Availability of CNH

Source: HKEX, MSCI and FTSE Russell  
(1) MSCI data as of 22 January 2019; FTSE Russell data as of 31 December 2018  
(2) IF = Inclusion Factor. Roadmap – MSCI: 2018 (5%), May19 (10%), Aug19 (15%), Nov19 (20%); FTSE Russell: Jun19 (5%), Sep19 (15%), Mar20 (25%)
Stock Connect (Northbound)

**Average Daily Turnover**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>9.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>20.5</td>
<td>21.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>40.1</td>
<td></td>
<td>58.7</td>
<td></td>
<td>34.7</td>
<td>31.7</td>
</tr>
</tbody>
</table>

**Portfolio Value**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>601</td>
<td>202</td>
<td>233</td>
<td>253</td>
<td>270</td>
<td>301</td>
<td>347</td>
<td>366</td>
<td>437</td>
<td>491</td>
<td>502</td>
<td>530</td>
</tr>
<tr>
<td>2017</td>
<td>576</td>
<td>233</td>
<td>253</td>
<td>270</td>
<td>301</td>
<td>347</td>
<td>366</td>
<td>404</td>
<td>437</td>
<td>491</td>
<td>502</td>
<td>530</td>
</tr>
<tr>
<td>2018</td>
<td>566</td>
<td>270</td>
<td>301</td>
<td>347</td>
<td>366</td>
<td>404</td>
<td>437</td>
<td>491</td>
<td>502</td>
<td>530</td>
<td>530</td>
<td>530</td>
</tr>
<tr>
<td>2019</td>
<td>592</td>
<td>301</td>
<td>347</td>
<td>366</td>
<td>404</td>
<td>437</td>
<td>491</td>
<td>502</td>
<td>530</td>
<td>530</td>
<td>530</td>
<td>530</td>
</tr>
</tbody>
</table>

Source: HKEX; data as of 7 March 2019

(1) NB record of RMB75bn on 4 March as of 7 March 2019
A-Shares Inclusion Drives Demand for Hedging Tools

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

- Complement Stock Connect access to Mainland China’s equity markets with an effective risk management tool
- HKEX/MSCI partnership directly responds to international trading communities’ need
- 388 index constituents as at Mar 2019 (increasing to 421 in Nov 2019¹) comprising large cap and mid cap A-shares accessible via Stock Connect
- Detailed product specifications to be announced following regulatory approval

---

¹ On a pro forma basis; source: MSCI
² IF = Inclusion Factor. Roadmap – MSCI: 2018 (5%), May19 (10%), Aug19 (15%), Nov19 (20%)
## Index Futures on China Underlying

### ADV (’000 contracts)

<table>
<thead>
<tr>
<th></th>
<th>Hang Seng Index Futures (50)(^4)</th>
<th>HSCEI Futures (50)(^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WEIGHTING COMPOSITION(^7)</strong></td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td><strong>MAINLAND CHINA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OTHERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NOTIONAL VALUE(^2)</strong></td>
<td><strong>US$184k</strong></td>
<td><strong>US$73k</strong></td>
</tr>
<tr>
<td><strong>YTD</strong></td>
<td><strong>2019</strong></td>
<td><strong>2019</strong></td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td><strong>85</strong></td>
<td><strong>50</strong></td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td><strong>94</strong></td>
<td><strong>61</strong></td>
</tr>
<tr>
<td><strong>2012</strong></td>
<td><strong>83</strong></td>
<td><strong>65</strong></td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td><strong>80</strong></td>
<td><strong>65</strong></td>
</tr>
<tr>
<td><strong>2014</strong></td>
<td><strong>69</strong></td>
<td><strong>86</strong></td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td><strong>86</strong></td>
<td><strong>89</strong></td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td><strong>131</strong></td>
<td><strong>135</strong></td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td><strong>127</strong></td>
<td><strong>134</strong></td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td><strong>234</strong></td>
<td><strong>117</strong></td>
</tr>
<tr>
<td><strong>Feb 2019</strong></td>
<td><strong>213</strong></td>
<td><strong>149</strong></td>
</tr>
<tr>
<td><strong>YTD</strong></td>
<td><strong>85</strong></td>
<td><strong>50</strong></td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td><strong>12</strong></td>
<td><strong>39</strong></td>
</tr>
<tr>
<td><strong>2012</strong></td>
<td><strong>39</strong></td>
<td><strong>84</strong></td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td><strong>84</strong></td>
<td><strong>159</strong></td>
</tr>
<tr>
<td><strong>2014</strong></td>
<td><strong>159</strong></td>
<td><strong>369</strong></td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td><strong>270</strong></td>
<td><strong>260</strong></td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td><strong>260</strong></td>
<td><strong>339</strong></td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td><strong>339</strong></td>
<td><strong>403</strong></td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td><strong>403</strong></td>
<td><strong>251</strong></td>
</tr>
<tr>
<td><strong>Feb 2019</strong></td>
<td><strong>213</strong></td>
<td><strong>207</strong></td>
</tr>
<tr>
<td><strong>YTD</strong></td>
<td><strong>85</strong></td>
<td><strong>432</strong></td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td><strong>12</strong></td>
<td><strong>812</strong></td>
</tr>
<tr>
<td><strong>2012</strong></td>
<td><strong>39</strong></td>
<td><strong>884</strong></td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td><strong>84</strong></td>
<td><strong>1,136</strong></td>
</tr>
<tr>
<td><strong>2014</strong></td>
<td><strong>159</strong></td>
<td><strong>17</strong></td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td><strong>270</strong></td>
<td><strong>17</strong></td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td><strong>260</strong></td>
<td><strong>31</strong></td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td><strong>339</strong></td>
<td><strong>71</strong></td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td><strong>403</strong></td>
<td><strong>1,136</strong></td>
</tr>
</tbody>
</table>

### FTSE China A50 Index Futures (SGX) (50)\(^4\)

<table>
<thead>
<tr>
<th></th>
<th>CSI 300 Index Futures (CFFEX) (300)(^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NOTIONAL VALUE(^2)</strong></td>
<td><strong>US$13k</strong></td>
</tr>
<tr>
<td><strong>YTD</strong></td>
<td><strong>2019</strong></td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td><strong>2</strong></td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td><strong>12</strong></td>
</tr>
<tr>
<td><strong>2012</strong></td>
<td><strong>39</strong></td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td><strong>84</strong></td>
</tr>
<tr>
<td><strong>2014</strong></td>
<td><strong>159</strong></td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td><strong>270</strong></td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td><strong>260</strong></td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td><strong>339</strong></td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td><strong>403</strong></td>
</tr>
<tr>
<td><strong>Feb 2019</strong></td>
<td><strong>213</strong></td>
</tr>
</tbody>
</table>

Source: HKEX, SGX, CFFEX, FIA. (Latest available data.)

1. As at 28 Feb 2019.
3. CSI 300 Index Futures was launched in Apr 2010.
4. Numbers in brackets represent the number of constituents within the underlying index.
Tapping into China’s Vast Bond Market

**China’s Bond Market**
- USD37tn
- USD7tn
- USD12tn
- Bank Assets
- Equities
- Bonds

**International Investors**

**Key Policy Drivers**
- Risk migration from banking sector to bond market
- Greater credit differentiation amid ongoing market reforms
- Funding needs for economic transition and infrastructure projects – e.g. Belt & Road; Panda bonds
- Enhanced bond issuance and disclosure standards

**Growing International Demand**
- Yield differential against developed markets
- Inclusion in emerging market bond indices
- Geographical and asset class diversification
- Growing convertibility of RMB / SDR inclusion
- More efficient access – Bond Connect

Sources: WIND, CBRC (Aug 2018), IMF, SIFMA
Bond Connect Has Significantly Grown Foreign Participation in China’s Bond Market

Bond Connect Feb 2019 YTD ADT: RMB 6.0bn

Foreign Participation in the CIBM

Foreign Holdings in Chinese Bonds (US$ bn)

Foreign Ownership (%)

Growth Drivers

Inclusion of Mainland bonds in global fixed income indices (6% of Bloomberg index weighting by 2020)

Greater adoption of RMB globally and need to reinvest in RMB assets

Improving access to the Mainland bond market

Foreign Ownership %

68% 64% 46% 41% 39% 38% 29% 13% 8% ~2%

DE FR AU UK IT CA US RU JP China

Achievable target 15%

Number of Bond Connect participants has grown to 617

Foreign participation in the CIBM increased by 108% over the 20 months since launch of Bond Connect

Sources: ChinaBond + SCH, Bloomberg, BIS
(1) Foreign participation in the CIBM data as of 28 Feb 2019
Agenda

1. HKEX Group Financial and Market Update
2. HKEX Strategic Plan 2019-2021
3. China Connectivity Update
4. Appendix
   Financial supplement
Financial Highlights – Income Statement

<table>
<thead>
<tr>
<th>($ million, unless stated otherwise)</th>
<th>2018</th>
<th>% of Revenue &amp; Other Income</th>
<th>2017</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>15,867</td>
<td>100%</td>
<td>13,180</td>
<td>100%</td>
<td>20%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(4,110)</td>
<td>(26%)</td>
<td>(3,566)</td>
<td>(27%)</td>
<td>15%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>11,757</td>
<td>74%</td>
<td>9,614</td>
<td>73%</td>
<td>22%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(762)</td>
<td>(5%)</td>
<td>(858)</td>
<td>(7%)</td>
<td>-11%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>10,995</td>
<td>69%</td>
<td>8,756</td>
<td>66%</td>
<td>26%</td>
</tr>
<tr>
<td>Finance costs and share of profits less losses of joint ventures</td>
<td>(112)</td>
<td>(1%)</td>
<td>(146)</td>
<td>(1%)</td>
<td>-23%</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>10,883</td>
<td>68%</td>
<td>8,610</td>
<td>65%</td>
<td>26%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(1,592)</td>
<td>(10%)</td>
<td>(1,255)</td>
<td>(9%)</td>
<td>27%</td>
</tr>
<tr>
<td>Loss attributable to non-controlling interests</td>
<td>21</td>
<td>0%</td>
<td>49</td>
<td>0%</td>
<td>-57%</td>
</tr>
<tr>
<td><strong>Profit attributable to HKEX shareholders</strong></td>
<td>9,312</td>
<td>58%</td>
<td>7,404</td>
<td>56%</td>
<td>26%</td>
</tr>
<tr>
<td>Basic earnings per share (HK$)</td>
<td>$7.50</td>
<td></td>
<td>$6.03</td>
<td></td>
<td>24%</td>
</tr>
<tr>
<td><strong>Headline ADT on the Stock Exchange</strong></td>
<td>$107.4 bn</td>
<td></td>
<td>$88.2 bn</td>
<td></td>
<td>22%</td>
</tr>
<tr>
<td>Capex</td>
<td>$988 m</td>
<td></td>
<td>$788 m</td>
<td></td>
<td>25%</td>
</tr>
</tbody>
</table>
## Performance by Operating Segment

<table>
<thead>
<tr>
<th>$ million</th>
<th>Cash Equity</th>
<th>Equity &amp; Financial Derivatives</th>
<th>Commodities</th>
<th>Clearing</th>
<th>Platform and Infrastructure</th>
<th>Corporate Items</th>
<th>Group 2018</th>
<th>Group 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and other income</strong></td>
<td>3,855</td>
<td>3,503</td>
<td>1,415</td>
<td>6,168</td>
<td>678</td>
<td>248</td>
<td>15,867</td>
<td>13,180</td>
</tr>
<tr>
<td>% of Group Total</td>
<td>24%</td>
<td>22%</td>
<td>9%</td>
<td>39%</td>
<td>4%</td>
<td>2%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>(584)</td>
<td>(573)</td>
<td>(717)</td>
<td>(812)</td>
<td>(170)</td>
<td>(1,254)</td>
<td>(4,110)</td>
<td>(3,566)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>3,271</td>
<td>2,930</td>
<td>698</td>
<td>5,356</td>
<td>508</td>
<td>(1,006)</td>
<td>11,757</td>
<td>9,614</td>
</tr>
<tr>
<td>% of Group Total (1)</td>
<td>28%</td>
<td>25%</td>
<td>6%</td>
<td>46%</td>
<td>4%</td>
<td>(9%)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>EBITDA margin</strong></td>
<td>85%</td>
<td>84%</td>
<td>49%</td>
<td>87%</td>
<td>75%</td>
<td>N/A</td>
<td>74%</td>
<td>73%</td>
</tr>
<tr>
<td><strong>Depreciation and amortisation</strong></td>
<td>(82)</td>
<td>(71)</td>
<td>(298)</td>
<td>(193)</td>
<td>(37)</td>
<td>(81)</td>
<td>(762)</td>
<td>(858)</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(38)</td>
<td>-</td>
<td>(76)</td>
<td>(114)</td>
<td>(134)</td>
</tr>
<tr>
<td><strong>Share of profits less losses of joint ventures</strong></td>
<td>10</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>3,199</td>
<td>2,851</td>
<td>400</td>
<td>5,125</td>
<td>471</td>
<td>(1,163)</td>
<td>10,883</td>
<td>8,610</td>
</tr>
</tbody>
</table>

(1) % Share of Group EBITDA (including Corporate Items)
## Operating Expenses

Total opex excluding depreciation & amortisation - 2018: $4,110m (2017: $3,566m)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff costs and related expenses</strong> ($ million)</td>
<td></td>
<td></td>
<td>+ 12%</td>
</tr>
<tr>
<td></td>
<td>2,273</td>
<td>2,540</td>
<td></td>
</tr>
<tr>
<td><strong>IT &amp; computer maintenance exp</strong></td>
<td>+ 17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>433</td>
<td>508</td>
<td></td>
</tr>
<tr>
<td><strong>Premises expenses</strong></td>
<td>+ 23%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>354</td>
<td>437</td>
<td></td>
</tr>
<tr>
<td><strong>Legal &amp; professional fees</strong></td>
<td>+ 67%</td>
<td>+ 29%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>79</td>
<td>132</td>
<td>(excluding one-off items)</td>
</tr>
<tr>
<td></td>
<td>427</td>
<td>493</td>
<td></td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td>+ 15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>434</td>
<td>564</td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation and amortisation</strong></td>
<td>- 11%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>12</td>
<td></td>
</tr>
</tbody>
</table>

#### Notes:
- **Staff costs** due to headcount, bonus and salaries
- **IT & computer maintenance expenses** for new IT systems and network upgrades
- **Premises expenses** due to new offices
- **Legal & professional fees** for strategic initiatives
- One-off insurance recovery in 2017 relating to LME’s warehouse litigation
- **Other operating expenses** for consolidation of offices
- Relocation expenses for certain IT systems were fully amortised in Q4 2017 and 2018

(1) Includes product marketing and promotion expenses
Drivers of Trading and Clearing Revenue
Relationship between headline ADT and overall trading and clearing income is not linear

<table>
<thead>
<tr>
<th>Cash Equity</th>
<th>Equity &amp; Financial Derivatives</th>
<th>Commodities</th>
<th>Clearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
</tr>
<tr>
<td>3,363</td>
<td>3,855</td>
<td>2,195</td>
<td>3,503</td>
</tr>
<tr>
<td>91</td>
<td>74</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>490</td>
<td>496</td>
<td>505</td>
<td>582</td>
</tr>
<tr>
<td>828</td>
<td>899</td>
<td>1,498</td>
<td>2,462</td>
</tr>
<tr>
<td>1,954</td>
<td>2,386</td>
<td>2,410</td>
<td>2,822</td>
</tr>
</tbody>
</table>

- Trading fees and trading tariffs
- Market data fees
- Stock Exchange listing fees
- Other revenue and sundry income
- Clearing and settlement fees
- Net investment income
- Depository, custody and nominee services fees

Trading fees due to ADT of DWs, CBBCs & warrants, record derivatives ADV and proportion of higher fee products (3)
Trading fees due to record newly listed DWs and CBBCs
Trading fees due to fee discounts on short-dated and medium-dated carries, which outweighed the impact of chargeable ADV
Clearing fees due to HK ADT but partly offset by LMEC fee discounts

Net investment income due to Margin Funds and return
One-off Lehman post-liquidation interest in 2017

(1) Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures
(2) Total LME ADV: 730k (2017: 624k)
(3) A higher proportion of HSI products were traded and various stock options moved to a higher fee tier in 2018
Trading and Clearing Revenue by Segment

Revenue diversification following acquisition of LME and growing Derivatives Market

(1) Includes all products traded on Cash Market platform (ie, equity products, DWs, CBBCs and warrants)
2018 net investment income was 1% lower than 2017. Increasing interest income due to rising size of the internally managed portfolio and interest rates. Offset by fair value losses of collective investment schemes versus gains in 2017.