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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.

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Agenda

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

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<tbody>
<tr>
<td>ADT</td>
<td>8</td>
<td>7</td>
<td>10</td>
<td>16</td>
<td>18</td>
<td>34</td>
<td>88</td>
<td>72</td>
<td>62</td>
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<td>67</td>
<td>68</td>
<td>88</td>
<td>107</td>
<td>96</td>
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</table>

Derivatives ADV (‘000 contracts)

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<tr>
<td>Futures</td>
<td>44</td>
<td>45</td>
<td>62</td>
<td>80</td>
<td>104</td>
<td>174</td>
<td>359</td>
<td>432</td>
<td>398</td>
<td>468</td>
<td>572</td>
<td>488</td>
<td>533</td>
<td>577</td>
<td>762</td>
<td>769</td>
<td>870</td>
<td>1,204</td>
<td></td>
</tr>
<tr>
<td>Options</td>
<td>64</td>
<td>111</td>
<td>214</td>
<td>282</td>
<td>302</td>
<td>525</td>
<td>642</td>
<td>859</td>
<td>943</td>
<td>1,116</td>
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Total Funds Raised (HK$ billion)

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<td>525</td>
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<td>1,116</td>
<td>1,116</td>
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<td>1,116</td>
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<tr>
<td>IPO</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
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Commodities ADV (‘000 lots)

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</thead>
<tbody>
<tr>
<td>Futures</td>
<td>237</td>
<td>234</td>
<td>286</td>
<td>283</td>
<td>312</td>
<td>345</td>
<td>369</td>
<td>446</td>
<td>442</td>
<td>475</td>
<td>584</td>
<td>634</td>
<td>676</td>
<td>700</td>
<td>670</td>
<td>619</td>
<td>624</td>
<td>730</td>
<td>724</td>
</tr>
<tr>
<td>Options</td>
<td>724</td>
<td>724</td>
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</tr>
</tbody>
</table>

Source: HKEX & LME data

(1) 2019 YTD as of 28 Feb 2019.
(2) Excluding Admin Trades, Commodities Feb YTD 2019 is 620,106 lots.
Hong Kong is Consistently the World’s Largest IPO Market

<table>
<thead>
<tr>
<th>Year</th>
<th># of IPOs</th>
<th>IPO Funds Raised (US$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>73</td>
<td>32.0</td>
</tr>
<tr>
<td>2010</td>
<td>113</td>
<td>58.0</td>
</tr>
<tr>
<td>2011</td>
<td>101</td>
<td>33.5</td>
</tr>
<tr>
<td>2012</td>
<td>64</td>
<td>11.6</td>
</tr>
<tr>
<td>2013</td>
<td>21.8</td>
<td>110</td>
</tr>
<tr>
<td>2014</td>
<td>30</td>
<td>33.9</td>
</tr>
<tr>
<td>2015</td>
<td>122</td>
<td>138</td>
</tr>
<tr>
<td>2016</td>
<td>25.2</td>
<td>126</td>
</tr>
<tr>
<td>2017</td>
<td>16.4</td>
<td>174</td>
</tr>
<tr>
<td>2018</td>
<td>218</td>
<td>36.6</td>
</tr>
</tbody>
</table>

Source: HKEX, Dealogic data

(1) As of 28 Feb 2019
## Record Financial Performance

<table>
<thead>
<tr>
<th>Revenue and Other Income</th>
<th>Operating Expenses (1)</th>
<th>EBITDA</th>
<th>Profit Attributable to HKEX Shareholders</th>
<th>Basic Earnings Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ 20%</td>
<td>(1)</td>
<td></td>
<td>+ 26%</td>
<td>+ 24%</td>
</tr>
<tr>
<td>$13,180</td>
<td>$3,566</td>
<td>$9,614</td>
<td>$7,404</td>
<td>$6.03</td>
</tr>
<tr>
<td>$15,867</td>
<td>$4,110</td>
<td>$11,757</td>
<td>$9,312</td>
<td>$7.50</td>
</tr>
</tbody>
</table>

### Notes:
- **Revenue and Other Income**
  - ADT
  - $88.2bn + 22% $107.4bn

### Key Figures:
- **Revenue and Other Income**:
  - 2017: $13,180
  - 2018: $15,867

### Operating Expenses:
- **Staff, IT and premises expenses**
- **Revenue and Other Income**
  - Trading and clearing fees ↑ from record ADT & derivatives ADV;
  - Listing fees and Depository fees ↑

### EBITDA:
- **Group EBITDA margin** ↑ 1%

### Profit Attributable to HKEX Shareholders:
- **PAT % ↑ more than EBITDA due to ↓ in 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\(^{(1)}\) ($ million)

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

<table>
<thead>
<tr>
<th>2017</th>
<th>Cash Equity</th>
<th>Equity and Financial Derivatives</th>
<th>Commodities</th>
<th>Clearing</th>
<th>Platform and Infrastructure</th>
<th>Corporate Items</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13,180</td>
<td>492</td>
<td>1,308</td>
<td>1,343</td>
<td>118</td>
<td>(553)</td>
<td>15,867</td>
</tr>
<tr>
<td>% Change year-on-year</td>
<td></td>
<td></td>
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<tr>
<td>Trading fees &amp; tariffs ↑ from ↑ ADT of equity products</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Listing fees ↑ due to ↑ listed cos and record IPOs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading fees ↓ from ↓ ADT of DWs, CBBCs &amp; warrants, and record derivatives ADV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listing fees ↑ due to record newly listed DWs and CBBCs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading fees ↓ from fee discounts but partly offset by new OTC booking fee</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Clearing fees ↑ from ↑ HK ADT and ↑ SI</td>
<td></td>
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<td></td>
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<tr>
<td>Net investment income ↑ due to ↑ Margin Fund size and ↑ return</td>
<td></td>
<td></td>
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<tr>
<td>Network fees ↑ due to ↑ sales of throttles driven by MSCI inclusion, new EPs and China Connect EPs migrating to new China Connect Central Gateway</td>
<td></td>
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<td></td>
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<tr>
<td>External portfolio excluding interest income</td>
<td></td>
<td></td>
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</tbody>
</table>

\(^{(1)}\) 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>
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<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>
<tr>
<td>% EBITDA Margin</td>
<td>% Share of Group EBITDA (before Corporate Items)</td>
<td>%</td>
<td></td>
<td></td>
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<tr>
<td>2,782</td>
<td>1,718</td>
<td>777</td>
<td>4,073</td>
<td>409</td>
<td>11,757</td>
</tr>
<tr>
<td>28%</td>
<td>18%</td>
<td>8%</td>
<td>42%</td>
<td>4%</td>
<td>100%</td>
</tr>
<tr>
<td>3,271</td>
<td>2,930</td>
<td>698</td>
<td>5,356</td>
<td>508</td>
<td>9,614</td>
</tr>
<tr>
<td>26%</td>
<td>23%</td>
<td>5%</td>
<td>42%</td>
<td>4%</td>
<td>100%</td>
</tr>
<tr>
<td>2018</td>
<td>2018</td>
<td>2018</td>
<td>2018</td>
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<td>2018</td>
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### Trading fees & tariffs

- **Equity & Financial Derivatives**
  - 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

- **Commodities**
  - 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**
  - 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

- **Equity & Financial Derivatives**
  - 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

- **Group Total**
  - 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

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

(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
Agenda

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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
Our 2019-2021 Strategic Vision

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

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

Stock Connect
- Increased relevance of the HK market to global investors

Focused Client Marketing
- Increased awareness of HK market
- Targeted client support
- Improved incentives package
- Singapore office presence

Comprehensive Product Ecosystem
- 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
### Overview of Our Product Offering

#### CASH

<table>
<thead>
<tr>
<th></th>
<th>Stocks</th>
<th>Structured Products</th>
<th>ETPs</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Products</td>
<td>2,315</td>
<td>9,610</td>
<td>129</td>
</tr>
<tr>
<td>ADT / ADV</td>
<td>HK$79.1 bn</td>
<td>HK$23.2 bn</td>
<td>HK$4.5 bn</td>
</tr>
<tr>
<td>Listing &amp; Trading Revenue</td>
<td>HK$2.8 bn</td>
<td>HK$1.4 bn</td>
<td>HK$50 mil</td>
</tr>
<tr>
<td>5-year Revenue Growth</td>
<td>+62%</td>
<td>+89%</td>
<td>-4%</td>
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#### DERIVATIVES

<table>
<thead>
<tr>
<th></th>
<th>Futures</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Products</td>
<td>24</td>
<td>7</td>
</tr>
<tr>
<td>Top 3 futures products include HSI Futures: 234,424, HSCEI Futures: 152,241, Mini-HSI Futures: 100,262. Top 3 options products include Stock Options: 517,395, HSCEI Options: 98,610, HSI Options: 51,693.</td>
<td>HK$515,055 contracts</td>
<td>HK$680,105 contracts</td>
</tr>
<tr>
<td>Top 3: 95%</td>
<td>Top 3: 98%</td>
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<thead>
<tr>
<th></th>
<th>Stocks</th>
<th>ETPs</th>
<th>Futures</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainland Underlying Share of ADT / ADV</td>
<td>80%</td>
<td>50%</td>
<td>67%</td>
<td>35%</td>
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</table>

#### Concentration of ADT / ADV in Top Products

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<tr>
<th></th>
<th>Top 100</th>
<th>Top 10⁴</th>
<th>Top 10</th>
<th>Top 3⁵</th>
<th>Top 3⁶</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Products</td>
<td>74%</td>
<td>88%</td>
<td>94%</td>
<td>95%</td>
<td>98%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>CASH</th>
<th>DERIVATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources: HKEX, Bloomberg. (1) As of 31 December 2018. Equities-related products in derivatives markets. (2) Full year 2018. Equities-related products in derivatives markets. (3) Excluding trading tariffs, Northbound trading revenue, and clearing income. Based on underlying. Top 3 futures products include HSI Futures: 234,424, HSCEI Futures: 152,241, Mini-HSI Futures: 100,262. Top 3 options products include Stock Options: 517,395, HSCEI Options: 98,610, HSI Options: 51,693. Mainland underlying for derivatives markets refers to products of Mainland-related indices (e.g. HSCEI, CES120) and single-stock products with Mainland underlying. (5) 10⁴ = 10,000</td>
<td>17</td>
<td></td>
</tr>
</tbody>
</table>

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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

ADV (’000 lots)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>475</td>
<td>584</td>
<td>634</td>
<td>676</td>
<td>700</td>
<td>670</td>
<td>619</td>
<td>624</td>
<td>730</td>
</tr>
</tbody>
</table>

- 6 Dec 2012 HKEX acquisition
- 22 Sep 2014 LME Clear Launch

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

**GLOBALLY CONNECTED**
- Expand commodities product suite
- Pricing evolution
- Commodity Connect
- Mainland China warehouses

**CHINA ANCHORED**

**TECHNOLOGY EMPOWERED**
- 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

**Stock Connect Coverage**

<table>
<thead>
<tr>
<th>% of domestic market included in Stock Connect</th>
<th>MUTUAL MARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>By Market Cap</td>
<td></td>
</tr>
<tr>
<td>SSE</td>
<td>86%</td>
</tr>
<tr>
<td>SZSE</td>
<td>74%</td>
</tr>
<tr>
<td>By Turnover</td>
<td></td>
</tr>
<tr>
<td>SSE</td>
<td>65%</td>
</tr>
<tr>
<td>SZSE</td>
<td>66%</td>
</tr>
<tr>
<td>By Number</td>
<td></td>
</tr>
<tr>
<td>SSE</td>
<td>40%</td>
</tr>
<tr>
<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

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

- 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

<table>
<thead>
<tr>
<th>Year</th>
<th>MSCI Inclusion</th>
<th>FTSE Russell Inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>TODAY(1)</td>
<td>0.72% IF=5%(2)</td>
<td>Nil</td>
</tr>
<tr>
<td>2019</td>
<td>3.33% IF=20%(2)</td>
<td>n.a. IF=15%(2)</td>
</tr>
<tr>
<td>2020</td>
<td>3.33% IF=20%(2)</td>
<td>5.33% IF=25%(2)</td>
</tr>
</tbody>
</table>

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>Year</th>
<th>Jan 2019</th>
<th>Feb 2019</th>
<th>MTD Mar 2019</th>
<th>31 May 2018</th>
<th>31 Aug 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4.7</td>
<td>9.6</td>
<td>20.5</td>
<td>40.1</td>
<td>58.7</td>
</tr>
<tr>
<td>2017</td>
<td>21.7</td>
<td>58.7</td>
<td>951</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>601</td>
<td>785</td>
<td>662</td>
<td>680</td>
<td>719</td>
</tr>
</tbody>
</table>

MSCI rebalancing days

Portfolio Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>202</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>2017</td>
<td>601</td>
<td>576</td>
<td>566</td>
<td>592</td>
<td>686</td>
<td>662</td>
<td>698</td>
<td>680</td>
<td>719</td>
<td>679</td>
<td>668</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>686</td>
<td>662</td>
<td>698</td>
<td>680</td>
<td>719</td>
<td>679</td>
<td>668</td>
<td></td>
<td></td>
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</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

MSCI

A-Shares weighting in MSCI EM Index

TODAY

0.72%

IF=5%

NOV 2019

3.33%

IF=20%

The MSCI China A Index represents the A-share portion of the MSCI Emerging Markets Index upon the completion of MSCI’s inclusion process in 2019.

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 2019) 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)**

**Hang Seng Index Futures (50)**

- **WEIGHTING COMPOSITION**
  - 56% MAIDLAND CHINA
  - 44% OTHERS

- **NOTIONAL VALUE**
  - US$184k

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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>ADV</td>
<td>85</td>
<td>94</td>
<td>83</td>
<td>80</td>
<td>69</td>
<td>86</td>
<td>131</td>
<td>127</td>
<td>234</td>
<td>213</td>
<td></td>
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</tbody>
</table>

**HSCEI Futures (50)**

- **NOTIONAL VALUE**
  - US$73k

<table>
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<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ADV</td>
<td>50</td>
<td>61</td>
<td>65</td>
<td>86</td>
<td>89</td>
<td>135</td>
<td>134</td>
<td>117</td>
<td>152</td>
<td>149</td>
<td></td>
</tr>
</tbody>
</table>

**FTSE China A50 Index Futures (SGX) (50)**

- **NOTIONAL VALUE**
  - US$13k

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>ADV</td>
<td>2</td>
<td>12</td>
<td>39</td>
<td>84</td>
<td>159</td>
<td>369</td>
<td>270</td>
<td>260</td>
<td>339</td>
<td>403</td>
<td></td>
</tr>
</tbody>
</table>

**CSI 300 Index Futures (CFFEX) (300)**

- **NOTIONAL VALUE**
  - US$168k

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ADV</td>
<td>251</td>
<td>207</td>
<td>432</td>
<td>812</td>
<td>884</td>
<td>1,136</td>
<td>17</td>
<td>17</td>
<td>31</td>
<td>71</td>
<td></td>
</tr>
</tbody>
</table>

Source: HKEX, SGX, CFFEX, FIA. (Latest available data.)
(1) As at 28 Feb 2019.
(2) As at 1 Mar 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

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

China’s Bond Market

USD37tn
- Bank Assets
- Equities
- Bonds

USD7tn
- 59% SSE
- 41% SZSE

USD12tn
- ~90% Interbank
- ~10% Exchange

International Investors

Relative to GDP

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

Number of Bond Connect participants has grown to 617

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
<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>
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<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><strong>Capex</strong></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></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>Revenue and other income</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>Operating expenses</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>EBITDA</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>EBITDA margin</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>Depreciation and amortisation</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>Finance costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(38)</td>
<td>-</td>
<td>(76)</td>
<td>(114)</td>
<td>(134)</td>
</tr>
<tr>
<td>Share of profits less losses of joint ventures</td>
<td>10</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Profit before taxation</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>(1) Includes product marketing and promotion expenses</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Staff costs and related expenses</th>
<th>IT &amp; computer maintenance exp</th>
<th>Premises expenses</th>
<th>Legal &amp; professional fees</th>
<th>Other operating expenses (1)</th>
<th>Depreciation and amortisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,273</td>
<td>433</td>
<td>354</td>
<td>79</td>
<td>858</td>
<td>2,540</td>
</tr>
<tr>
<td>+ 12%</td>
<td>+ 17%</td>
<td>+ 23%</td>
<td>+ 67% + 29% (excluding one-off items)</td>
<td>+ 15%</td>
<td>- 11%</td>
</tr>
</tbody>
</table>

- **Staff costs**: due to headcount, bonus and salaries
- **IT & computer maintenance exp**: due to maintenance expenses for new IT systems and network upgrades
- **Premises expenses**: due to rental expenses for new offices
- **Legal & professional fees**: one-off insurance recovery in 2017 relating to LME’s warehouse litigation, fees for strategic initiatives
- **Other operating expenses**: relocation expenses for consolidation of offices, index license fees due to ADV
- **Depreciation and amortisation**: due to 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>$71.2bn +18% $84.2bn</td>
<td>$17.0bn +36% $23.2bn</td>
<td>$88.2bn +22% $107.4bn</td>
</tr>
<tr>
<td>2017</td>
<td>3,363 91</td>
<td>2,195 6</td>
<td>1,436 139</td>
</tr>
<tr>
<td>2018</td>
<td>3,855 74</td>
<td>3,503 9</td>
<td>1,415 153</td>
</tr>
</tbody>
</table>

- Trading fees and trading tariffs
- Market data fees
- Trading fees from ADT
- Listing fees due to listed companies and record IPOs
- Stock Exchange listing fees
- Other revenue and sundry income
- Trading fees due to ADT of DWs, CBBCs & warrants, record derivatives ADV and proportion of higher fee products
- Listing fees due to record newly listed DWs and CBBCs
- Trading fees from 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

(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
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)
Net Investment Income

2018: $1,584m; 2017: $1,599m

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.