2016 ANNUAL RESULTS ANNOUNCEMENT

Charles Li  Chief Executive, HKEX Group
Paul Kennedy  Chief Financial Officer, HKEX Group
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.

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

1. Highlights
2. HKEX Group Financial Review
3. Business and Strategic Update
4. Appendix
Agenda

1. Highlights
2. HKEX Group Financial Review
3. Business and Strategic Update
4. Appendix
2016 – Key Highlights

- Political and economic uncertainties continue to impact investment sentiment
- Increase in futures volumes and strict cost control lessened impact of fall in HK cash market’s activity
- Excluding 2015 one-off gains, PAT down 22% compared to exceptional results in 2015
- Globally #1 in IPO funds raised, despite lower total proceeds
- Shenzhen – Hong Kong Stock Connect launched on 5 December 2016

Source: HKEX
### Highlights – 2016 Annual Results

#### Prior year comparison

<table>
<thead>
<tr>
<th>Revenue and Other Income ($ million)</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>- 17% (- 14%) ((\text{excluding one-off items})^{(2)})</td>
<td>+ 5% (+ 3%) ((\text{excluding one-off item})^{(2)})</td>
<td>- 24% (- 19%) ((\text{excluding one-off items})^{(2)})</td>
<td>- 27% (- 22%) ((\text{excluding one-off items})^{(2)})</td>
<td>- 29% (- 24%) ((\text{excluding one-off items})^{(2)})</td>
</tr>
<tr>
<td>$105.6bn (- 37%) $66.9bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13,375</td>
<td>11,116</td>
<td>10,085</td>
<td>7,956</td>
<td>6.70</td>
</tr>
<tr>
<td>3,290</td>
<td>3,455</td>
<td>7,661</td>
<td>5,769</td>
<td>4.76</td>
</tr>
</tbody>
</table>

**Revenue and Other Income**

- Trading and clearing fees on ADT in Cash and ADV in Commodities but partly offset by ADV on HKFE
- ADT: $105.6bn, -37% to $66.9bn
- One-off gains of $514m in 2015 (sale of LCH, sale of WWH and Lehman payment)

**Operating Expenses\(^{(1)}\)**

- Costs control while continuing with strategic projects
- Headcounts and annual payroll adjustments but partly offset by variable pay
- Premises expenses due to new offices
- One-off Lehman recovery of $77m in 2015

**EBITDA**

- EBITDA margin ↓6% \(\text{(\(- 5%\) excluding one-off items)}\)

**Profit Attributable to HKEX Shareholders**

- PAT more than EBITDA due to increased D&A but partly offset by reduced finance costs following conversion of convertible bonds
  - (one-off items of $566m in 2015)

**Basic Earnings per Share**

- % decrease higher than PAT due to shares issued for convertible bonds in Q2 2015 and scrip dividends

---

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

\(^{(2)}\) One-off items in 2015: LCH: An exceptional gain on the sale of investment in shares of LCH.Clearnet Group Limited of $31m; WWH: A one-off gain on sale of Worldwide House property of $445m; Lehman payment: A one-off post liquidation interest from liquidators of Lehman Brothers Securities Asia Limited (Lehman) of $38m; Lehman recovery: A one-off recovery from the liquidators of Lehman of $77m, reducing opex in that period
Trading fees & tariff from ADT (2016: $50.2bn; 2015: $79.9bn)

↑ Listing fees due to ADT of DWs & CBBCs

→ Trading fees due to ADV (2016: 619k; 2015: 670k), increased incentive rebates and fee reduction

↑ Costs for strategic initiatives

↓ Trading fees from ADV (2016: 619k); 2015: 670k), increased incentive rebates and fee reduction

↑ Costs for new premises and strategic projects

↓ Clearing fees due to volumes on SEHK and LME, ↓ investment income, and one-off Lehman payment of $38m in 2015

↑ Costs due to recovery from Lehman of $77m in 2015, partly offset by ↓ staff costs, legal & professional fees and depreciation of GBP

↑ Network usage fees due to participants migrating to Orion Central Gateway. Offset by ↓ throttle sales

↑ Hosting services fees due to ↑ number of racks taken up by customers

Overall EBITDA margin ↓ 6%
Drop in Cash and Commodities partially offset by increase in Futures. Demand for risk management products reflects continued volatility as well as increasing Mainland participation.

(1) Data shown in this slide has been regrouped into five categories based on the 2016 consolidated financial statements
(2) Includes all products traded on the Stock Exchange (ie, equity products, DWs, CBBCs and warrants)
(3) Includes depository, custody and nominee services fees, net investment income, other revenue and sundry income but excludes one-off items above
<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>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff Costs and Related Expenses</strong></td>
<td>2,020</td>
<td>2,035</td>
<td>517</td>
<td>500</td>
<td></td>
<td></td>
<td>294</td>
<td>333</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>IT &amp; Computer Maintenance Exp</strong></td>
<td></td>
<td></td>
<td>517</td>
<td>500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Premises Expenses</strong></td>
<td></td>
<td></td>
<td>294</td>
<td>333</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Legal &amp; Professional Fees</strong></td>
<td>99</td>
<td>106</td>
<td></td>
<td></td>
<td>360</td>
<td>481</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>360</td>
<td>481</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation and Amortisation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>684</td>
<td>771</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- **Annual payroll adjustments**
- **IT costs of LME from depreciation of GBP and cost control**
- **New office premises for LME and rental expenses in HK after sale of Worldwide House**
- **2015 includes a $5m recovery of legal fees for litigation**
- **One-off recovery from Lehman’s liquidators of $77m recorded in 2015**
- **Bank credit facilities fees**
- **Index license fees due to futures ADV in 2016**
- **External fund manager fees due to funds under management**
- **From newly completed projects**

(1) Includes product marketing and promotion expenses
Quarterly Trend

Results in line with historical trend

Record 2015 performance distorts view of current results
2016 has returned to the historical trend line and is higher than 2014

(1) Excludes depreciation and amortisation, finance costs, and share of loss of a joint venture
(2) Dotted trend lines are illustrative and do not constitute a forward forecast
Agenda

1. Highlights
2. HKEX Group Financial Review
3. Business and Strategic Update
4. Appendix
## Business Update

### Equities

- Successfully launched Shenzhen-Hong Kong Stock Connect
  - Abolished Aggregate Quota of Stock Connect
- Launched new products:
  - Sector Index Futures
  - Leveraged & Inverse Products
  - Mini H-shares Index (HHI) Options
  - Fourth calendar month contract for HSI and HHI Options

### FIC

- Launched additional RMB Currency Futures
- Co-branded RMB Index Series with Thomson Reuters
- Launched USD/CNH Cross Currency Swaps in OTC Clear
- Plan to launch new USD/CNH Currency Options in March 2017

### Commodities

- Completed LME’s warehouse consultation
- Launched LMEshield
- Announced package of measures to enhance LME market structure
- Plan to launch LMEprecious in 1H2017
- Setting up Commodities Trading Platform in Qianhai

### Market Structures & Platforms

- Rolled out SPSA Model for Stock Connect enhancement
- Launched Closing Auction Session in Securities Market
- Launched Volatility Control Mechanism in Securities and Derivatives Markets
- Launched Pre-Trade Risk Management System in Derivatives Market
- Launched SMARTS Derivatives Surveillance System

---

(1) YTD as of 24 February 2017
HKEX’s Strategic Vision

**What have we achieved so far?**

1. Expanded our asset class reach
2. Created mutual market access channels
3. Enhanced market microstructure and efficiency
4. Continued to build and upgrade systems and platforms

**What is our long-term aspiration?**

- Mainland Investors
- International issuers
- Commodities capability
- Risk management / derivatives

---

**Need to bring:**

- Mainland Investors
- International issuers
- Commodities capability
- Risk management / derivatives
Key Focus of 2017

Continue to Enhance Our Listing Regime
- Listing Consultation
- GEM Review
- New Board
- Market Quality

Continue to Extend and Expand the Connect Model
- ETFs, Listed Bonds
- Enhancements: Holiday Trading, SBL, etc.
- Bond Connect
- Primary Connect
- Commodities Connect

Continue to Develop New Products Across Asset Classes
- Leveraged & Inverse Product Scope Expansion
- A-shares Futures, subject to regulatory approvals
- FICC: RMB T-bond Futures, Gold Futures and Iron Ore Futures, Precious and Ferrous Products

Continue to Upgrade Infrastructure and Explore New Opportunities
- Orion Trading Platform – Securities Market
- Private Market
- Commodities Trading Platform in Qianhai
- Next Generation Clearing Platform
Q & A
Agenda

1. Highlights

2. HKEX Group Financial Review

3. Business and Strategic Update

4. Appendix
Financial Highlights – Income Statement

<table>
<thead>
<tr>
<th>($ million, unless stated otherwise)</th>
<th>2016</th>
<th>% of Revenue &amp; Other Income</th>
<th>2015</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>11,116</td>
<td>100%</td>
<td>13,375</td>
<td>100%</td>
<td>(17%)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(3,455)</td>
<td>(31%)</td>
<td>(3,290)</td>
<td>(25%)</td>
<td>5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>7,661</td>
<td>69%</td>
<td>10,085</td>
<td>75%</td>
<td>(24%)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(771)</td>
<td>(7%)</td>
<td>(684)</td>
<td>(5%)</td>
<td>13%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>6,890</td>
<td>62%</td>
<td>9,401</td>
<td>70%</td>
<td>(27%)</td>
</tr>
<tr>
<td>Finance costs and share of loss in a joint venture</td>
<td>(91)</td>
<td>(1%)</td>
<td>(123)</td>
<td>(1%)</td>
<td>(26%)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>6,799</td>
<td>61%</td>
<td>9,278</td>
<td>69%</td>
<td>(27%)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(1,058)</td>
<td>(9%)</td>
<td>(1,347)</td>
<td>(10%)</td>
<td>(21%)</td>
</tr>
<tr>
<td>Loss attributable to non-controlling interests</td>
<td>28</td>
<td>0%</td>
<td>25</td>
<td>0%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Profit attributable to HKEX shareholders</strong></td>
<td>5,769</td>
<td>52%</td>
<td>7,956</td>
<td>59%</td>
<td>(27%)</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$4.76</td>
<td></td>
<td>$6.70</td>
<td></td>
<td>(29%)</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$4.75</td>
<td></td>
<td>$6.67</td>
<td></td>
<td>(29%)</td>
</tr>
<tr>
<td><strong>Average daily turnover on the Stock Exchange</strong></td>
<td>$66.9 bn</td>
<td></td>
<td>$105.6 bn</td>
<td></td>
<td>(37%)</td>
</tr>
<tr>
<td><strong>Capex</strong></td>
<td>$646 m</td>
<td></td>
<td>$682 m</td>
<td></td>
<td>(5%)</td>
</tr>
</tbody>
</table>
## Performance by Operating Segment – 2016 Full Year

<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 2016</th>
<th>Group 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and other income</td>
<td>2,683</td>
<td>2,034</td>
<td>1,560</td>
<td>4,138</td>
<td>540</td>
<td>161</td>
<td>11,116</td>
<td>13,375</td>
</tr>
<tr>
<td>% of Group Total</td>
<td>24%</td>
<td>18%</td>
<td>14%</td>
<td>37%</td>
<td>5%</td>
<td>2%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(544)</td>
<td>(441)</td>
<td>(597)</td>
<td>(702)</td>
<td>(152)</td>
<td>(1,019)</td>
<td>(3,455)</td>
<td>(3,290)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>2,139</td>
<td>1,593</td>
<td>963</td>
<td>3,436</td>
<td>388</td>
<td>(858)</td>
<td>7,661</td>
<td>10,085</td>
</tr>
<tr>
<td>% of Group Total</td>
<td>28%</td>
<td>21%</td>
<td>12%</td>
<td>45%</td>
<td>5%</td>
<td>(11%)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>80%</td>
<td>78%</td>
<td>62%</td>
<td>83%</td>
<td>72%</td>
<td>N/A</td>
<td>69%</td>
<td>75%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(88)</td>
<td>(86)</td>
<td>(298)</td>
<td>(179)</td>
<td>(44)</td>
<td>(76)</td>
<td>(771)</td>
<td>(684)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(82)</td>
<td>(82)</td>
<td>(114)</td>
</tr>
<tr>
<td>Share of loss of a joint venture</td>
<td>-</td>
<td>(9)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(9)</td>
<td>(9)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>2,051</td>
<td>1,498</td>
<td>665</td>
<td>3,257</td>
<td>344</td>
<td>(1,016)</td>
<td>6,799</td>
<td>9,278</td>
</tr>
</tbody>
</table>

(1) % Share of Group EBITDA (including Corporate Items)
Net Investment Income

2016: Total $696m; 2015: Total $678m

Net Investment Income by Funds

- Corporate Funds
  - Investment income increased due to higher fund size, increased gains from both fixed income and equity investments and lower FX losses, partly offset by a non-recurring gain from the sale of LCH in 2015.

- Margin Funds
  - Lower average fund size in 2016 resulted in decline in investment income but partly offset by better yield.

Net Investment Income by Sources

- Cash & Bank Deposits
  - Net investment income increased by 3% year-on-year mainly due to an increase in gains on Corporate Funds in 2016, partly offset by a decrease in Margin Fund income.

Net Investment Income

2015: Total $678m

- Includes $31 million gain on sale of LCH recorded in 2015.
Drivers of Revenue

Relationship of headline ADT to 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></td>
<td>ADT - 22%</td>
<td>ADT - 7%</td>
<td>ADT - 10%</td>
</tr>
<tr>
<td></td>
<td>2015 $79.9bn</td>
<td>2015 $25.7bn</td>
<td>2015 $105.6bn</td>
</tr>
<tr>
<td></td>
<td>2016 $50.2bn</td>
<td>2016 $16.7bn</td>
<td>2016 $66.9bn</td>
</tr>
<tr>
<td></td>
<td>ADT - 37%</td>
<td>ADT - 35%</td>
<td>ADT - 37%</td>
</tr>
<tr>
<td></td>
<td>$1,421</td>
<td>$670k</td>
<td>$254.7bn</td>
</tr>
<tr>
<td></td>
<td>$1,230</td>
<td>$619k</td>
<td>SI - 29%</td>
</tr>
<tr>
<td></td>
<td>$1,557</td>
<td>$177</td>
<td>$867</td>
</tr>
<tr>
<td></td>
<td>$1,499</td>
<td>$140</td>
<td>$857</td>
</tr>
<tr>
<td></td>
<td>$2,252</td>
<td>$1,404</td>
<td>$3,118</td>
</tr>
<tr>
<td></td>
<td>$2,683</td>
<td>$2,034</td>
<td>$2,358</td>
</tr>
<tr>
<td></td>
<td>$3,435</td>
<td>$2,179</td>
<td>$5,002</td>
</tr>
<tr>
<td></td>
<td>$60</td>
<td>$5</td>
<td>$604</td>
</tr>
<tr>
<td></td>
<td>$70</td>
<td>$9</td>
<td>$157</td>
</tr>
<tr>
<td></td>
<td>$420</td>
<td>$205</td>
<td>$867</td>
</tr>
<tr>
<td></td>
<td>$703</td>
<td>$322</td>
<td>$857</td>
</tr>
<tr>
<td></td>
<td>$2,222</td>
<td>$1,511</td>
<td>$3,118</td>
</tr>
<tr>
<td></td>
<td>$2,683</td>
<td>$2,034</td>
<td>$2,358</td>
</tr>
<tr>
<td></td>
<td>$3,435</td>
<td>$2,179</td>
<td>$5,002</td>
</tr>
<tr>
<td></td>
<td>Stock Exchange listing fees</td>
<td>Stock Exchange listing fees</td>
<td>Stock Exchange listing fees</td>
</tr>
<tr>
<td></td>
<td>Other revenue and sundry income</td>
<td>Other revenue and sundry income</td>
<td>Other revenue and sundry income</td>
</tr>
<tr>
<td></td>
<td>Trading fees and trading tariff</td>
<td>Trading fees and trading tariff</td>
<td>Trading fees and trading tariff</td>
</tr>
<tr>
<td></td>
<td>37% due to ADT</td>
<td>4% due to ADT of CBBCs and DWs and ADV of stock options contracts, offset by ADV of derivatives contracts traded on HKFE and higher proportion of higher fee products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Listing fees 10% due to in number of listed companies and forfeited fees for withdrawn and lapsed applications</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Listing fees 22% due to in number of newly listed DWs and CBBCs</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trading fees 12% due to ADV, incentive rebates introduced since Sept 2015, and fee reduction for short-dated carries from Sept 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HK Clearing fees 28% due to ADT and SI</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LMEC clearing fees 11% due to ADV</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net investment income 9% due to reduced fund size</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>One-off Lehman payment of $38m in 2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Trading and Clearing Revenue by Product(1)

Increasing proportion of derivatives income

Fee diversification strategies successfully executed following acquisition of LME and strong growth of ADV of derivatives market

(1) Data shown in this slide has been regrouped into three categories based on the 2012, 2014 and 2016 consolidated financial statements
(2) Includes all products traded on the Stock Exchange (ie, equity products, DWs, CBBCs and warrants)
Stock Connect – Trading Trends

Stock Connect Average Daily Trading Volume

- Shenzhen Southbound (HKD bn)
- Shanghai Southbound (HKD bn)
- Shenzhen Northbound (RMB bn)
- Shanghai Northbound (RMB bn)

SB record of HKD26.1 bn on 9 April 2015
NB record of RMB23.4 bn on 6 July 2015

Northbound turnover exceeded Southbound at the initial stage
Southbound turnover picked up after the announcement of Shenzhen–Hong Kong Stock Connect\(^1\) and the approval of onshore insurance funds to trade through Shanghai–Hong Kong Stock Connect\(^2\)

Aggregate quota removed since 16 August 2016; Shenzhen Connect launched on 5 December 2016

Source: HKEX data as of 24 Feb 2017
(1) CSRC and SFC jointly announced the approval of Shenzhen–Hong Kong Stock Connect on 16 August 2016
(2) China Insurance Regulatory Commission (CIRC) published the notice on 8 September 2016
Thank you