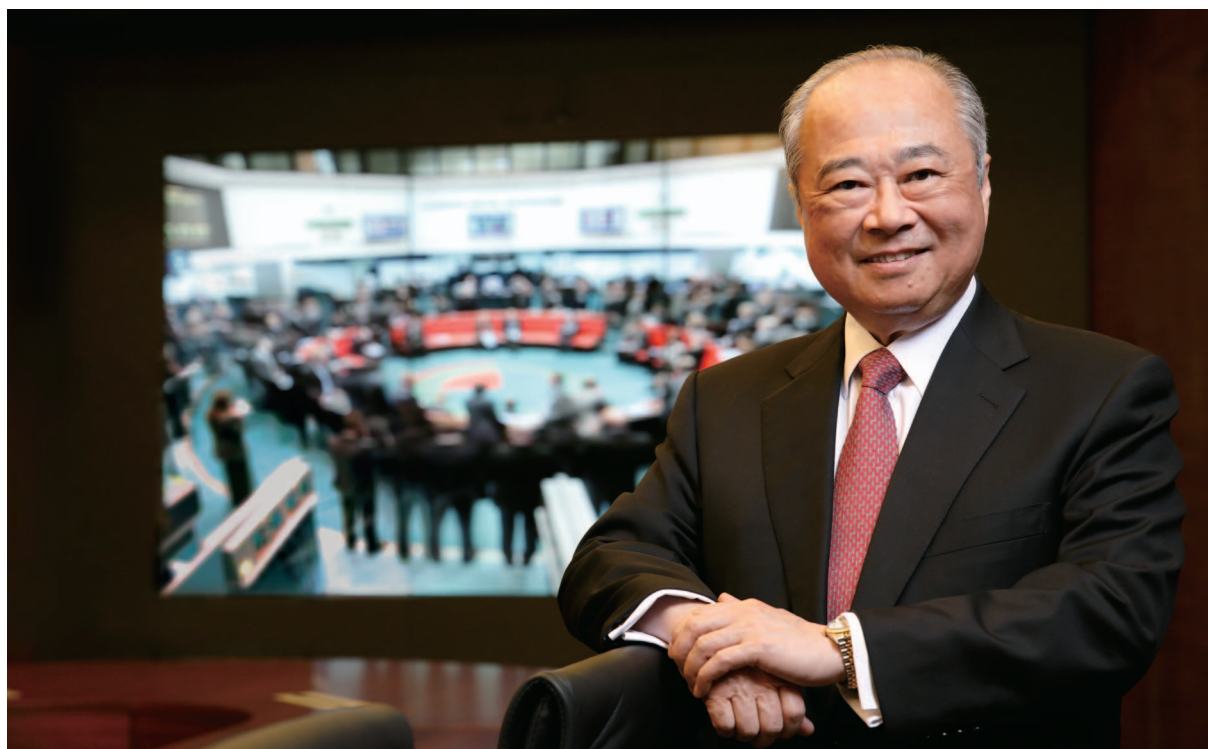


CHAIRMAN'S STATEMENT

“The world’s financial markets had another challenging year in 2012. However, it was also a year of particular significance for HKEx, as we achieved our strategic goal of adding new asset classes by acquiring the LME Group. Through the acquisition, we shall build HKEx into a leading global, vertically integrated multi-asset class exchange for both our local and international clients. This is a move that is consistent with our vision to reinforce Hong Kong’s position as an international financial centre.”

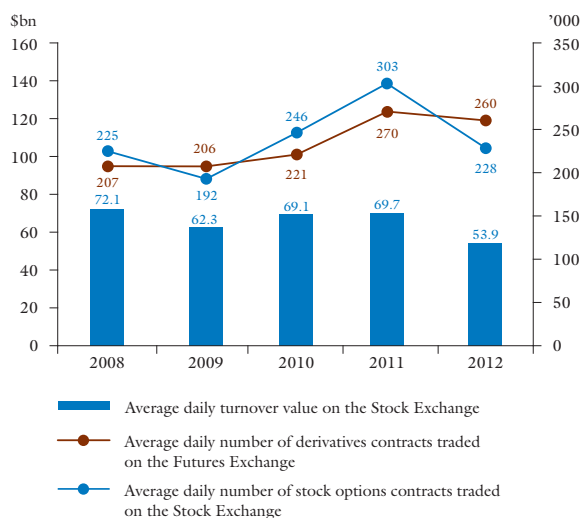




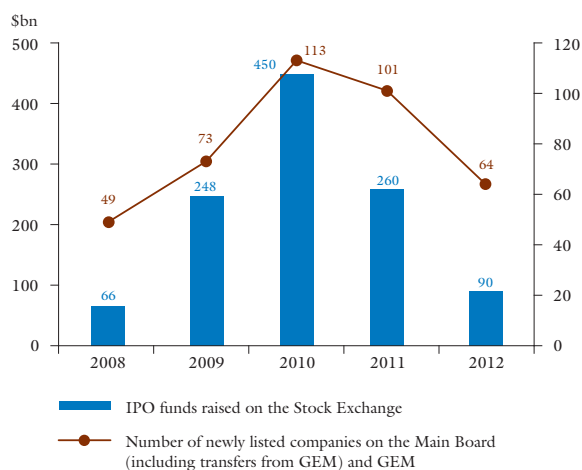
HKEx Group's Performance

The exchange sector's post-financial crisis slowdown continued in 2012, as Europe's financial problems, subpar economies in Japan and the US, and slower growth in the mainland of China dampened market sentiment. Although activities in our markets improved in the latter part of the year after central banks of major economies injected more liquidity into their respective financial systems, annual turnover in our markets was down from the previous year. New listings and IPO fundraising also declined. As a result, the Group's profit attributable to shareholders in 2012 was about \$4.1 billion, a decline of 20 per cent from a year ago. Consistent with the Company's practice of paying 90 per cent of its profit attributable to shareholders as dividends, the Board is recommending a final dividend of \$1.46 per share for the year ended 31 December 2012. If the recommendation is approved by Shareholders, the full-year dividend per share for 2012 will be \$3.31, down 22 per cent from the previous year.

Key market statistics



IPO funds raised and newly listed companies



Note: Figures have been rounded.

Acquisition of LME Group

Our acquisition of the LME Group was a significant milestone for the Company. It has given us new capabilities and positioned us to broaden our ties with the mainland of China. The offer decision was made after considering a series of factors, amongst them, the establishment of HKEx's presence in commodities market, which is a sector that offers growing opportunities. We will work closely with our LME colleagues to expand LME's current business, move into new areas, and develop its untapped potential. To partly fund the acquisition, we issued convertible bonds of US\$500 million and had a share placement of over \$7.7 billion. The overwhelming responses to both issues were a clear testimony of investors' unwavering confidence in HKEx.

"We are pleased to see that LME produced another record year in 2012 with trading volumes increased almost 10 per cent. In addition, LME was awarded Commodity Exchange of the Year in the 2012 Commodity Business Awards and its LMEswaps contracts, launched in January 2012, received New Contract of the Year (Metals category) in the 2012 FOW International Awards."

The acquisition of the LME Group was completed in the final month of the period covered by our previous strategic plan of 2010-2012. Details of other achievements under the plan are set out in the Chief Executive's Review, Business Review, and Financial Review sections of this Annual Report. The new 3-year plan for 2013-2015 is set out in the HKEx Group Strategic Plan 2013-2015 section of this Annual Report.

Other Major Developments

Investing and Building for the Future

We also invested and built for the future in other key areas in 2012. Apart from the introduction of 4 HKD-denominated benchmark equity index futures of the other member exchanges of the BRICS alliance, which enable investors to get exposure to the BRICS markets through HKEx, HSI and/or H-shares Index futures were cross-listed on each of the BRICS exchanges.

Our TKO Data Centre and the Hosting Services began operations in the fourth quarter of 2012, which are part of the HKEx Orion, a \$3 billion-investment programme designed to strengthen our markets and Hong Kong's position as a leading international financial centre. The GFIS, an indirect wholly-owned subsidiary of the Company, also officially commenced operations in Shanghai.

We expect to open a market data hub in Shanghai in the third quarter of 2013 that will give Mainland information vendors direct access to our real-time market data. The CESC, a joint venture we established with the stock exchanges in Shanghai and Shenzhen in 2012, launched its first index, an index to track the performance of shares in the mainland of China and Hong Kong, on 10 December. Regarding OTC Clear, we formed a strong team and completed much of the preparatory work with a view towards opening for business in the first half of 2013.

New products/services in 2012/2013

- AHFT
- BRICS Futures
- Hosting Services
- HSI Volatility Index Futures
- RMB Currency Futures
- Mainland Market Data Hub
- OTC clearing services

RMB Products

The range of RMB products in our markets expanded in 2012 as more issuers used our listing facilities for RMB products. In our securities market, we saw more RMB bond listings, including the first by the Central Government's Ministry of Finance, as well as the first RMB ETF and RMB equity security listings. In our derivatives market, we introduced RMB Currency Futures, the world's first exchange-traded deliverable RMB futures. RMB products constitute an important part of our strategy to take advantage of opportunities from the internationalisation of the RMB and outward investment from the mainland of China.

Quality Market

In 2012 and early 2013, various legislative amendments and regulatory measures were introduced to keep our regulatory regime in line with international standards and strengthen Hong Kong's position as a premier capital formation centre. We welcomed the enactment of the legislation that provides statutory backing to listed corporations' continuing obligation to disclose inside information which took effect on 1 January 2013, and we made corresponding Listing Rule changes. We are committed to ensure that our disclosure regime is in line with international best practices to protect investors' interest. The Environmental, Social and Governance Reporting Guide as a recommended practice under the Listing Rules became effective on 1 January 2013; HKEx's 2012 CSR reporting is in compliance with the Guide while adopting the Global Reporting Initiative, or GRI, G3.1 Sustainability Reporting Guidelines. To support the inclusion of board diversity in the Listing Rules' Corporate Governance Code and Corporate Governance Report from 1 September 2013, HKEx has early adopted a Board Diversity Policy and made the recommended disclosure in this Annual Report. As a director of the World Federation of Exchanges, I shall work closely with other member exchanges to promote market integrity and standards as well as global financial stability and growth.

RMB-related products/services launched in 2012

- Dual Counter ETFs that trade in both RMB and HKD
- RMB Currency Futures
- RMB-traded gold ETF
- RMB-traded equity securities



- Enactment of the Securities and Futures (Amendment) Ordinance 2012 for the statutory regime to disclose inside information
- Consultation conclusions on the regulation of IPO sponsors published by SFC
- Implementation of HKEx's clearing house risk management reform measures
- Guide on enhancing regulation of the listed structured products market published by HKEx

Corporate Social Responsibility

CSR is a high priority for the Company so it is encouraging that we continue to be included in the FTSE4Good Index Series, the Hang Seng Corporate Sustainability Index Series, the Dow Jones Sustainability Asia Pacific Index, and the STOXX® Global ESG Leaders Indices. Our 2012 CSR Report, which underscores our approach and commitment to act responsibly and contribute positively to the community and the environment, will be available on the HKEx website in mid-March 2013. In particular, we continued to raise a significant amount of donations for The Community Chest of Hong Kong through the Stock Code Balloting for Charity Scheme. Moreover, in striving for environmental excellence, we took more targeted actions to reduce the environmental impact of our TKO Data Centre with the aim of completing the final Leadership in Energy and Environmental Design, or LEED, certification for the data centre, and to further improve our office waste management practices in order to achieve "Class of Excellence" Wastewi\$e Label under the Hong Kong Awards for Environmental Excellence in 2013.



Acknowledgments

I would like to take this opportunity to thank my fellow Board and Committee members for their hard work and contributions throughout the year.

On behalf of the Board, I would like to express our sincere gratitude to the Directors who retired after the conclusion of the 2012 AGM, the Honourable Mrs Laura Cha and Dr Moses Cheng, for their invaluable advice to the Company over their 6 years of service. I would also like to extend special appreciation and acknowledgment to Mr Ronald Arculli, who will retire after the conclusion of the 2013 AGM. Mr Arculli's dedication and many contributions throughout his 7 years' service on the Board have been major factors in the Company's success and laid a solid foundation for future growth.

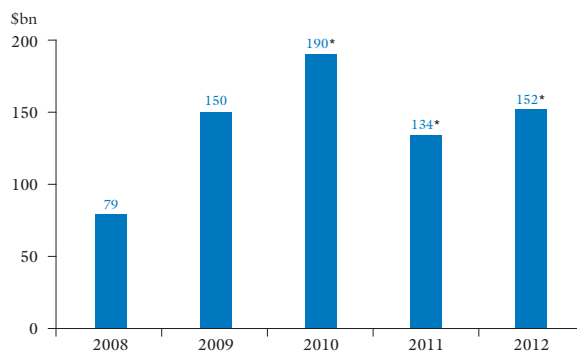
Our progress towards our strategic goals over the past year would not have been possible without the untiring efforts of our management team and staff. On behalf of the Board, I would like to thank Mr Charles Li and all of our employees for their dedication and commitment. The Board has renewed the contract with Mr Li as HKEx's Chief Executive for a further term of 3 years. We look forward to working with Mr Li to realise the full benefit of the strategic initiatives that are being put into place.

I would also like to thank all of our stakeholders, in particular our Shareholders, for their ongoing support, trust, and confidence.

Outlook

The quantitative easing policies implemented in the key financial markets including Europe, Japan and the US, would help improve market sentiment. Nonetheless, the low interest rates and expansion of money supply could cause higher inflation than desired. The effectiveness of these easing policies on improving the performance of the global economies is yet to be proven. Hong Kong would however continue to benefit from the progress of the mainland China's economy in 2013.

HKEx's market capitalisation (as at 31 December)



* Ranked first among the world's listed exchanges

Note: Figures have been rounded. Source: Reuters

Our markets experienced increased turnover at the end of last year and the beginning of this year, and we saw renewed investor interest in IPOs. While the global economic outlook remains challenging, we believe we are well positioned to weather any storms that might come our way.

CHOW Chung Kong

Chairman

Hong Kong, 27 February 2013