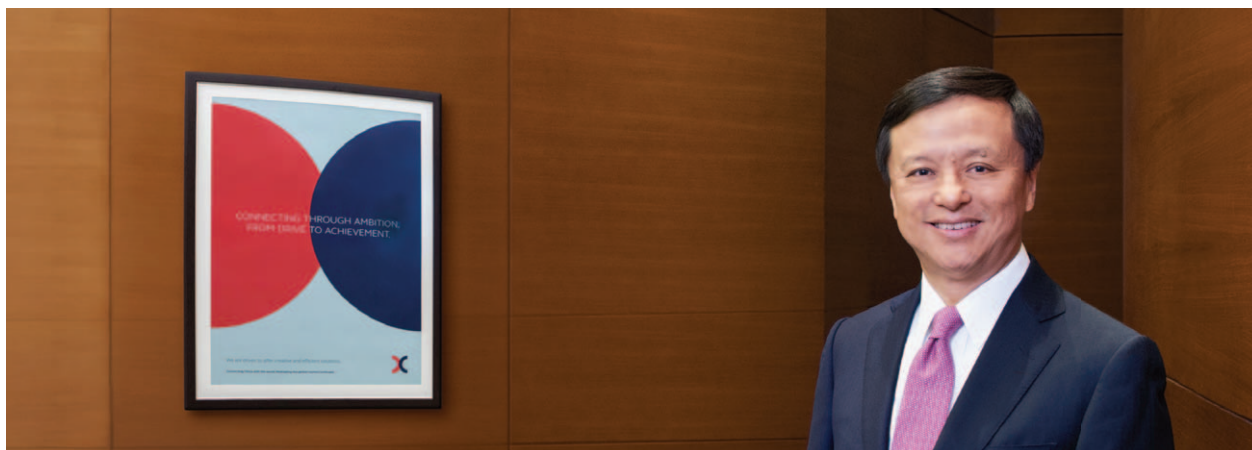


CHIEF EXECUTIVE'S REVIEW



2015 was a record-setting year for the Company. Although we experienced high volatility during the year, our markets continued to operate in a reliable manner and various new records in the securities and derivatives markets were set. Shanghai-Hong Kong Stock Connect operated smoothly throughout its first full year, with gradually improving adoption. In addition, various new products were launched across different asset classes, with an increasing focus on meeting the demands of new investors from the Mainland.

2015 was also a year of two halves for the Mainland A share market with the first half marked by record turnover and new highs, and the second half witnessing a dramatic market rout leading to subsequent regulatory reforms which have become increasingly relevant to our own market since the launch of Stock Connect. Against this backdrop, in concluding our Strategic Plan 2013-2015, we comprehensively reviewed our performance and progress across equities, commodities and FIC, and the platforms and capabilities that support our businesses. This has allowed us to build on existing strong foundations by developing a series of new business initiatives, which are outlined in the Strategic Plan 2016-2018.

Market Performance

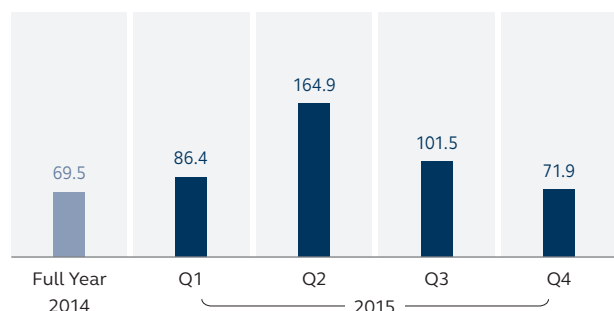
In 2015, our primary market performed well despite the market turbulence. HKEX ranked first globally in IPOs with a record high 138¹ companies listing and raising \$263.1 billion in total, representing a 13 per cent rise in IPO funds raised from 2014. Our existing listed companies also raised \$852.5 billion, an increase of 20 per cent over 2014. Total funds raised set another record of \$1.1 trillion.

In the secondary market, market momentum reached its peak during the second quarter. The full-year 2015 ADT reached a record high of \$105.6 billion, a 52 per cent increase compared to 2014. We witnessed record high daily trading volume of \$293.9 billion on 9 April 2015, and there were a total of 15 trading days with daily turnover exceeding \$200 billion.

¹ Includes transfers of listing from GEM to Main Board in 2015

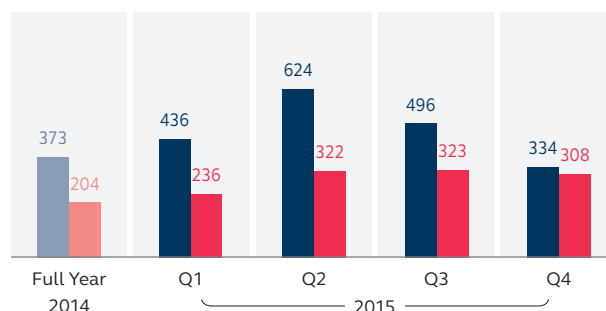
Derivatives turnover saw another record year with total turnover of 189,824,363 contracts, an increase of 33 per cent from 2014. This was largely driven by stock options and index futures and options. Open interest at year-end was 7,266,980 contracts, down from 7,960,406 at the end of 2014.

Average Daily Turnover Value on Cash Market



● \$bn

Average Daily Number of Contracts Traded on Derivatives Market



● Options Contracts ('000) ● Futures Contracts ('000)

Business Development Review

Maintaining Growth Momentum in Core Businesses

For primary listings in 2015, we continued to carry out a wide range of marketing activities to attract issuers from both the Mainland and other countries and regions. We worked closely with market participants and the SFC to enhance our regulatory environment and corporate governance standards. In order to ensure our rules and practices address developments in the market, SEHK reviewed and published guidance letters on Cash Company Rules and Trading Halts, and made amendments to the Listing Rules and the Environmental, Social and Governance Reporting Guide following the conclusion of relevant consultations. In addition, we conducted and concluded a public consultation on Weighted Voting Rights (WVR) structures for both Primary and Secondary Listings in mid-2015. After considering the views of the board of the SFC, the Listing Committee of SEHK decided not to proceed with its draft proposal on WVR, but to keep the matter under review.

In the secondary market, we have continued to improve the market microstructure to enhance market capacity and efficiency. We published consultation conclusions on 3 July 2015 on the proposed introduction of a Volatility Control Mechanism (VCM) in the securities and derivatives markets and a Closing Auction Session (CAS) in the securities market. The VCM is designed to safeguard market integrity from extreme price volatility arising from automated trading, and to contain systemic risks caused by the inter-connectedness of Hong Kong's securities and derivatives markets, particularly with respect to benchmark index products. The new CAS is designed to meet the diverse trading needs of investors by enabling trade execution at the securities' closing prices, which is a key investment mandate of some funds such as index trackers. Having carefully considered the responses and the rationale behind them, we concluded that there is substantial market support for the introduction of a VCM and a CAS in the Hong Kong markets, and we will proceed with the implementation of the two initiatives in phases, starting from the third quarter of 2016.

As mentioned in the 2016-17 Budget presented by the Financial Secretary on 24 February 2016, in order to further reinforce Hong Kong's status as the premier capital formation centre, the SFC and HKEX are planning to conduct a joint public consultation exercise on enhancing the regulatory structure in respect of listing matters.

Transforming our Commodities Business

Global commodities markets faced significant challenges in 2015 with the prices of most commodities having been under pressure. Total volume on the LME was 169.6 million lots, a modest decrease of 4 per cent versus 2014. Trading in key products including LME Aluminium, Zinc, Tin and Lead declined, with LME copper remaining flat and LME nickel bucking the trend to rise 7 per cent from 2014, hitting record volume of 20.7 million lots. Year-end LME futures market open interest was at 2.3 million lots, which represented an increase of 2 per cent compared to 2014.

Following two market-wide consultations, on 25 November 2015, LME announced its intention to introduce a cap on the rent that can be charged by an LME-approved warehouse for metal held in a delivery queue and an increased minimum load-out rate for metal stored in LME warehouses. As part of the implementation of queue-based rent capping rules, the LME is also introducing a mechanism to address potential abuse of the new regime. This measure will stagger the dates at which the rent caps would come into effect to ensure that metal owners cancelling large amounts of metal do not benefit from discounted rent in a queue of their own creation. Increase in the standard load-out rate was implemented on 1 March 2016 and the queue-based rent capping rule (including the anti-abuse provisions) is due to be implemented on 1 May 2016.

As part of our initial effort to “financialise” the LME through drawing liquidity into products from both the international and China markets, we have announced innovative initiatives and launched new products including:

- **Liquidity Roadmap:** The LME announced a set of initiatives designed to make monthly (third Wednesday) futures trading on its electronic platform, LMEselect, more liquid, transparent and accessible. As part of the Liquidity Roadmap, the LME introduced market-making programmes in August 2015 to support the launch of new products and enhance liquidity on existing contracts.
- **New products in London and Hong Kong:** In 2015, we successfully launched LME Aluminium Premiums, LME Steel Rebar and LME Steel Scrap in London, and rolled-out three more London Metal Mini Futures in Hong Kong namely London Nickel, Tin and Lead Mini Futures.
- **London-Hong Kong Connect:** On 21 October 2015, Chinese President Xi Jinping and British Prime Minister David Cameron witnessed the signing of a memorandum of understanding (MOU) by HKFE, HKCC, the LME, and LME Clear. The MOU proposed to develop a trading link between HKFE and the LME, and a clearing link between HKCC and LME Clear. Subject to regulatory approvals, this will enable HKFE's eligible Exchange Participants to trade LME products, and HKCC's eligible Clearing Participants to clear those trades.

Embracing Opportunities in FIC

2015 was a landmark year for the internationalisation of the RMB. On 30 November 2015, the International Monetary Fund announced its decision to include the RMB into the Special Drawing Rights (SDR). The SDR inclusion is likely to be regarded as a key tipping point on the RMB's path to full internationalisation. With the RMB's inclusion into the SDR basket, we see vast opportunities in the RMB related FIC business and we are working to build Hong Kong into a premier offshore risk management centre for RMB-related exposure.

Our RMB currency futures contract continued to serve as an effective risk management tool in periods of unexpected USD/CNH volatility. Turnover in HKEX's RMB currency futures contract reached an all-time high of 262,433 contracts in 2015. In order to solidify the development of our RMB currency futures market, the Active Trader Programme introduced at the beginning of 2015 has been extended for another year until the end of 2016.

In London, LME Clear successfully obtained regulatory approval from the Bank of England to accept CNH as eligible cash collateral in response to demand from LME Clear members. This marked a milestone for LME Clear in attracting and connecting market participants from Mainland China and the rest of the world.

Shanghai-Hong Kong Stock Connect

17 November 2015 marked the first anniversary of Shanghai-Hong Kong Stock Connect. Despite a very volatile market environment at times, Stock Connect has proved to be a reliable and important part of our market's infrastructure. The ADT of Northbound and Southbound trading under Stock Connect was RMB6.4 billion and HK\$3.4 billion respectively. Northbound and Southbound trading turnover hit a record of RMB23.4 billion and HK\$26.1 billion respectively on 6 July 2015 and 9 April 2015.

One of our priorities is to continue listening to the market and keep improving Stock Connect. There is still a lot of room for enhancement in terms of additional products, expanded quotas, enlarged stock eligibility criteria, and more.

Internal Organisation Changes

In November 2015, we announced changes to our Group structure in preparation for the launch and implementation of the Strategic Plan 2016-2018. A new Platform Development Division was formed to oversee and execute the Group's major platform projects, including Next Generation trading and clearing platforms, and strategic connectivity projects. Two divisions, namely the Clearing Division and Markets Division, were created as an initial effort to gradually consolidate all Hong Kong clearing and trading businesses to better exploit synergies over time. In regard to our businesses in both the international and Mainland markets, a new Market Development Division was created with responsibility for developing new revenue and product initiatives across all asset classes.

Strategic Outlook – HKEX Strategic Plan 2016-2018

Over the course of the previous two Strategic Plans, HKEX has taken important steps towards securing its future as Mainland China looks to new horizons and the world looks for greater access to Mainland China's capital markets. A more open China presents tremendous new opportunities for capital formation, capital exchange and risk management – activities in which HKEX must actively strive to entrench its long-term role. The foundations we built over the past years have now enabled us to pursue a number of ambitious but important initiatives which will shape HKEX's future.

In our Strategic Plan 2016-2018, the two key themes are to (i) build the most effective platform for cross-border market access and (ii) develop a unique destination market in Hong Kong for products with both Chinese and international relevance. Building on our heritage as a leading cross-border access platform and a destination market in our own right, we aim to expand and entrench the model across equity, commodities and FIC in order to become a true multi-asset platform that connects China with the world.

I am confident that these initiatives will build on HKEX's achievements to date, and position us for continued leadership among global exchanges during this historic time in the global economy.

Appreciation

It has been a great year for HKEX overall, and I would like to take the opportunity to express my greatest gratitude towards the HKEX Group staff. They work tirelessly to ensure HKEX remains one of the top exchanges in the world and they are among the reasons Hong Kong is a respected global centre of finance. I would like to thank Mr Henry Ingrouille (Former Chief Operating Officer), Mr Pont Chiu (Former Group Head of Internal Audit) and Mr Gerald Greiner (Former Advisory Chairman of Global Clearing and Regulatory Affairs), who have left the Company, for their great contributions to the Group.

I also thank our regulator, the SFC, market participants and other stakeholders for their continuous support on our various initiatives. I look forward to continuing to work with them closely over the course of implementing the HKEX Strategic Plan 2016-2018.

Last but not least, I would like to thank my fellow members of the Board for their tremendous trust and support. It has been a demanding year full of challenges, and they have contributed immeasurably to delivering our strategic achievements and to keeping our ship on the right course.

LI Xiaojia, Charles

Director and Chief Executive

Hong Kong, 2 March 2016