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1. Highlights
2. HKEX Group Financial Review
3. Business and Strategic Update
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## 2017 – A Breakthrough Year for HKEX

- Revenue up 19% and PAT up 28% yoy, largely driven by significantly higher trading volumes
- Reached new milestones for Mutual Market Access - Stock Connect trading volumes at new record high, successful launch of Bond Connect
- Implementing the biggest listing regime reform in 25 years after extensive market engagement
- Strengthened our product suite - USD/CNH gold futures, LMEprecious, iron ore futures
- Published the LME Strategic Pathway, and implemented new fee structures
- Maintained prudent cost management while investing in key strategic initiatives, including strengthening platform and infrastructure capabilities
Highlights – 2017 Results

Prior year comparison

<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>2016</td>
<td>11,116</td>
<td>3,455</td>
<td>7,661</td>
<td>4.76</td>
</tr>
<tr>
<td>2017</td>
<td>13,180</td>
<td>3,566</td>
<td>9,614</td>
<td>6.03</td>
</tr>
</tbody>
</table>

- **Revenue and Other Income**
  - 2016: $11,116 million
  - 2017: $13,180 million

- **Operating Expenses (1)**
  - 2016: $3,455 million
  - 2017: $3,566 million

- **EBITDA**
  - 2016: $7,661 million
  - 2017: $9,614 million

- **Profit Attributable to HKEX Shareholders**
  - 2016: $5,769 million
  - 2017: $7,404 million

- **Basic Earnings per Share**
  - 2016: $4.76
  - 2017: $6.03

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

- ADT: $88.2bn
- PAT % more than EBITDA due to lower % in D&A and in tax charge attributable to higher non-taxable investment income
- % increase lower than PAT due to shares issued for scrip dividends

Investment income
- Trading and clearing fees from ADT but offset by HKFE ADV and LME fee reductions
- Listing fees
- One-off Lehman post-liquidation interest and deferred consideration on sale of LCH

Staff and Premises costs partly offset by legal & professional fees, IT expenses and banking facility commitment fees due to reclassification to finance costs

Group EBITDA margin 4%
Revenue Movement by Segment

($ million)

Increase comes from cash trading & clearing fees and listing fees

2016

Cash Equity

Equity and Financial Derivatives

Commodities

Clearing

Platform and Infrastructure

Corporate Items

2017

11,116

680

161

(124)

687

20

640

13,180

Change year-on-year

Trading fees & tariff from ADT
Market data fees due to allocated fees from trading activity
Listing fees due to listed companies and IPOs

Trading fees flat due to ADT of DWs, CBBCs & warrants, offset by HKFE ADV
Listing fees due to newly listed DWs and CBBCs
Market data fees due to allocated fees from trading activity

Trading fees from fee reductions

Clearing fees from HK ADT and SI
Net investment income due to Margin Fund size and return
One-off Lehman post-liquidation interest

Hosting services fees due to new customers and increased usage
Network fees due to new EPs and fees from migration to China Connect Central Gateway
Net investment income

(1) Headline ADT up 32% (2017: $88.2bn; 2016: $66.9bn); ADT of cash equity up 42% (2017: $71.2bn; 2016: $50.2bn); ADT of DWs, CBBCs and warrants included under equity and financial derivatives up 2% (2017: $17.0bn; 2016: $16.7bn)
Performance by Operating Segment

**EBITDA**

<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>$ million</td>
<td>%</td>
<td>%</td>
<td>$ million</td>
<td>%</td>
</tr>
<tr>
<td>2016</td>
<td>2,139</td>
<td>80%</td>
<td>78%</td>
<td>963</td>
<td>83%</td>
</tr>
<tr>
<td>2017</td>
<td>2,782</td>
<td>83%</td>
<td>78%</td>
<td>1,718</td>
<td>84%</td>
</tr>
<tr>
<td>+ 30%</td>
<td>+ 8%</td>
<td>- 19%</td>
<td>+ 19%</td>
<td>+ 5%</td>
<td>+ 25%</td>
</tr>
</tbody>
</table>

**Trading fees & tariff** from ADT
**Market data fees** due to allocated fees from trading activity
**Listing fees** due to listed cos and IPOs
**Staff costs**

**Trading fees flat due to ADT of DWs, CBBCs & warrants, offset by HKFE ADV**
**Listing fees** due to newly listed DWs and CBBCs
**Staff costs**

**Trading fees from fee reductions**
**Expenses from QME costs, partly offset by one-off insurance recovery of legal costs, IT cost savings and GBP depreciation**
**Clearing fees from HK ADT and SI Margin Funds**
**Net investment income on Margin Funds**
**One-off Lehman post-liquidation interest**
**Staff costs and premises costs**

**Hosting services fees** due to new customers and increased usage
**Network fees** due to new EPs and fees from migration to China Connect Central Gateway

**Overall EBITDA margin** 4%

(Overall EBITDA margin further boosted by increase in investment income under corporate items)
Operating Expenses and Depreciation & Amortisation

<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>($ million)</td>
<td></td>
<td></td>
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<tr>
<td>2,035</td>
<td></td>
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<tr>
<td></td>
<td>2,273</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ 12%</td>
<td>- 13%</td>
<td>+ 6%</td>
<td>- 25%</td>
<td>- 11%</td>
<td>+ 11%</td>
</tr>
<tr>
<td>500</td>
<td>433</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT &amp; computer maintenance exp</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LME IT costs from cost savings and depreciation of GBP</td>
<td>Rental expenses due to new offices</td>
<td>One-off insurance recovery in 2017 relating to LME's warehouse litigation</td>
<td>Reclassification of banking facility commitment fees to finance costs and investment management services costs</td>
<td>attributable to new offices and new IT systems</td>
<td></td>
</tr>
</tbody>
</table>

(1) Includes product marketing and promotion expenses
**Quarterly Trend**

**2017 Results above historical trend line**

*Quarterly performance*

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and Other Income</td>
<td>1,158</td>
<td>1,170</td>
<td>1,200</td>
<td>1,024</td>
<td>1,287</td>
<td>1,511</td>
<td>1,575</td>
<td>1,287</td>
<td>1,531</td>
<td>1,432</td>
<td>1,553</td>
<td>1,543</td>
<td>1,241</td>
<td>1,716</td>
<td>1,777</td>
<td>2,033</td>
<td>1,878</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses (1)</td>
<td>669</td>
<td>672</td>
<td>677</td>
<td>759</td>
<td>734</td>
<td>862</td>
<td>782</td>
<td>718</td>
<td>829</td>
<td>854</td>
<td>834</td>
<td>834</td>
<td>933</td>
<td>833</td>
<td>878</td>
<td>887</td>
<td>968</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit attributable to Shareholders</td>
<td>1,553</td>
<td>1,546</td>
<td>1,457</td>
<td>1,391</td>
<td>1,718</td>
<td>2,078</td>
<td>2,510</td>
<td>2,230</td>
<td>2,330</td>
<td>2,300</td>
<td>2,800</td>
<td>2,848</td>
<td>3,048</td>
<td>3,155</td>
<td>3,454</td>
<td>3,523</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>2,222</td>
<td>2,218</td>
<td>2,134</td>
<td>2,149</td>
<td>2,335</td>
<td>2,471</td>
<td>2,757</td>
<td>2,796</td>
<td>3,195</td>
<td>2,866</td>
<td>2,775</td>
<td>2,751</td>
<td>2,879</td>
<td>2,848</td>
<td>2,634</td>
<td>3,054</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- *Quarterly Trend*

  All quarters in 2017 outperformed the historical growth trajectory (excluding the 2015 outlier) due to bullish market sentiment

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

(2) Dotted trend lines are illustrative and do not constitute a forward forecast
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<table>
<thead>
<tr>
<th>EQUITY</th>
<th>FIC</th>
<th>COMMODITIES</th>
</tr>
</thead>
</table>
| **Listing regime revamp**  
Reached market consensus on new Biotech & WVR chapters; secondary listing enhancements; GEM reform | **Bond Connect**  
A key catalyst for our FIC derivatives | **LME commercialisation**  
Further business optimisation |
| **Stock Connect programmes**  
Further Stock Connect enhancements | **New products**  
CNH options | **Precious metals**  
London gold; Hong Kong gold |
| **Products and platform**  
HK Leveraged & Inverse Products; enhanced stock options position limit regime; microstructure enhancements | **OTC capabilities**  
Client clearing | **QME spot market**  
Continue to build the platform and adapt to new onshore regulatory regime |
The Green Shoots of Success We Witnessed Last Year Were Not Only Because of Work We Did in 2017

It was only possible because of our earlier investments:

- Strategic Positioning
- Microstructure Reform
- RMB Readiness
- Strategic Partnerships
- Commodity Buildout
- China Connectivity
- Listing Reform
- New Economy
2018 Primary Focus

**Make IPO Market More Relevant**
- Launch New Listing Regime
- Est. Late April: Publish Conclusions; Rules Become Effective and Listing Applications Will be Accepted

**Make Cash Market More Connected**
- Enhance Stock Connect
- MSCI Inclusion in June; Northbound Investor ID Planned for Q3 2018; ETF Connect

**Make Derivatives Market More Competitive**
- Launch A-share Derivatives; Reform Trading Regimes
- Fill “Gaps” in Products and Services; Enhance Risk Management Regime
## Other Key Initiatives

### EQUITY
- **Launch new products** - Extend existing HSI and HSCEI product suite; Introduce trading enhancements to existing futures and options
- **After-hours derivatives trading** - Include equity index option contracts

### FIC
- **Enhance Bond Connect** - Broaden access platform choice and explore Southbound model
- **Launch RMB interest rate derivatives product suite** - Meet growing risk management needs

### COMMODITIES
- **Optimise LME** - Complete new fee regime and upgrade systems
- **Prepare to launch QME spot market** - Serve China’s real economy

### PLATFORM / TECHNOLOGY
- **Upgrade derivatives trading and clearing systems** - Genium Upgrade planned for Q4 2018
- **Kickoff Next Gen Post-trade Platform** - Build data warehouse, risk engine, client portal
- **Implement new margining model** - Bring efficiency and savings to our market
- **Build Innovation Lab** - Advance deployment of Fintech at HKEX
Q & A
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## Financial Highlights – Income Statement

<table>
<thead>
<tr>
<th>($ million, unless stated otherwise)</th>
<th>2017</th>
<th>% of Revenue &amp; Other Income</th>
<th>2016</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>13,180</td>
<td>100%</td>
<td>11,116</td>
<td>100%</td>
<td>19%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(3,566)</td>
<td>(27%)</td>
<td>(3,455)</td>
<td>(31%)</td>
<td>3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>9,614</td>
<td>73%</td>
<td>7,661</td>
<td>69%</td>
<td>25%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(858)</td>
<td>(7%)</td>
<td>(771)</td>
<td>(7%)</td>
<td>11%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>8,756</td>
<td>66%</td>
<td>6,890</td>
<td>62%</td>
<td>27%</td>
</tr>
<tr>
<td>Finance costs and share of losses of joint ventures</td>
<td>(146)</td>
<td>(1%)</td>
<td>(91)</td>
<td>(1%)</td>
<td>60%</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>8,610</td>
<td>65%</td>
<td>6,799</td>
<td>61%</td>
<td>27%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(1,255)</td>
<td>(10%)</td>
<td>(1,058)</td>
<td>(10%)</td>
<td>19%</td>
</tr>
<tr>
<td>Loss attributable to non-controlling interests</td>
<td>49</td>
<td>0%</td>
<td>28</td>
<td>0%</td>
<td>75%</td>
</tr>
<tr>
<td>Profit attributable to HKEX shareholders</td>
<td>7,404</td>
<td>56%</td>
<td>5,769</td>
<td>52%</td>
<td>28%</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$6.03</td>
<td></td>
<td>$4.76</td>
<td></td>
<td>27%</td>
</tr>
<tr>
<td>Average daily turnover on the Stock Exchange</td>
<td>$88.2 bn</td>
<td></td>
<td>$66.9 bn</td>
<td></td>
<td>32%</td>
</tr>
<tr>
<td>Capex</td>
<td>$788 m</td>
<td></td>
<td>$646 m</td>
<td></td>
<td>22%</td>
</tr>
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</table>
## Performance by Operating Segment – 2017

<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 2017</th>
<th>Group 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and other income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13,180</td>
<td>11,116</td>
</tr>
<tr>
<td>% of Group Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9,614</td>
<td>7,661</td>
</tr>
<tr>
<td>% of Group Total11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>EBITDA margin</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>73%</td>
<td>69%</td>
</tr>
<tr>
<td><strong>Depreciation and amortisation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>(858)</td>
<td>(771)</td>
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<tr>
<td>Finance costs</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(134)</td>
<td>(82)</td>
</tr>
<tr>
<td>Share of losses of joint ventures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(12)</td>
<td>(9)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8,610</td>
<td>6,799</td>
</tr>
</tbody>
</table>

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

2017: Total $1,599m; 2016: Total $696m

Net investment income for 2017 increased by 130% versus 2016 mainly due to:

1. Gains on collective investment schemes in particular the low volatility equities investment category
2. Higher net investment income on Margin Funds due to increases in deposit rates and higher average fund size
Drivers of Trading and Clearing Revenue

Relationship of headline ADT to overall trading and clearing income is not linear

### Cash Equity

<table>
<thead>
<tr>
<th>Year</th>
<th>ADT</th>
<th>Trading &amp; Tariff</th>
<th>Market Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$50.2bn</td>
<td>+25%</td>
<td>$490</td>
</tr>
<tr>
<td>2017</td>
<td>$71.2bn</td>
<td>+42%</td>
<td>$828</td>
</tr>
</tbody>
</table>

### Equity & Financial Derivatives

<table>
<thead>
<tr>
<th>Year</th>
<th>ADT</th>
<th>Trading &amp; Tariff</th>
<th>Market Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$16.7bn</td>
<td>+8%</td>
<td>$464k</td>
</tr>
<tr>
<td>2017</td>
<td>$17.0bn</td>
<td>+2%</td>
<td>Stock Options $428k</td>
</tr>
</tbody>
</table>

### Commodities

<table>
<thead>
<tr>
<th>Year</th>
<th>ADT</th>
<th>Trading</th>
<th>Market Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$181.9bn</td>
<td>-8%</td>
<td>HKFE ADV $428k</td>
</tr>
<tr>
<td>2017</td>
<td>$220.5bn</td>
<td>+1%</td>
<td>LME ADV $624k</td>
</tr>
</tbody>
</table>

### Clearing

<table>
<thead>
<tr>
<th>Year</th>
<th>ADT</th>
<th>Clearing &amp; Settlement</th>
<th>Net Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$88.2bn</td>
<td>+17%</td>
<td>$16.7bn</td>
</tr>
<tr>
<td>2017</td>
<td>$17.0bn</td>
<td>+8%</td>
<td>$17.0bn</td>
</tr>
</tbody>
</table>

**Trading fees & Tariff** from ADT, partly offset by average transaction size dampening the rate of growth in tariff

**Market data fees** due to allocated fees from trading activity

**Trading fees** from fee reduction on short-dated and medium-dated carries, a position transfer fee cap, and new non-fee generating administrative trades introduced in June 2017 due to regulatory change

**Listed companies and IPOs**

**Trading fees** due to newly listed DWs and CBBCs

**Market data fees** due to allocated fees for trading activity

**Net investment income** due to Margin Funds and return

**One-off Lehman post-liquidation interest**

**Clearing fees** from HK ADT and SI, partly offset by LME clearing fees due to fee reduction on short-dated and medium-dated carries, a position transfer fee cap, and new non-fee generating administrative trades

Net investment income due to Margin Funds and return

Relationship of headline ADT to overall trading and clearing income is not linear
Trading and Clearing Transactional Revenue by Market

- **2012**: Acquisition of LME in Dec 2012
- **2013**: LME Clear commenced operation since Sep 2014
- **2014**: LME fee commercialisation since Jan 2015
- **2015**: Strong growth of Derivatives Market
- **2016**: Improved sentiment in Cash Market, but reduced volatility impacted derivatives traded on HKFE
- **2017**: LME Clear commenced operation since Sep 2014

**Revenue**:
- **2012**: $3,854m
- **2013**: $5,758m
- **2014**: $6,786m
- **2015**: $66.9bn
- **2016**: $69.5bn
- **2017**: $88.2bn

**ADT**:
- **2012**: $53.9bn
- **2013**: $69.5bn
- **2014**: $66.9bn
- **2015**: $66.9bn
- **2016**: $66.9bn
- **2017**: $88.2bn

**Fee diversification continues following acquisition of LME and with steady growth of Derivatives Market**

(1) Includes all products traded on the Cash Market platform (ie, equity products, DWs, CBBCs and warrants)
Stock Connect – Trading Trends

Stock Connect contributed $412m in income in 2017, 133% higher than 2016

Stock Connect Average Daily Trading Volume (HKD bn)

- Northbound turnover exceeded Southbound at the initial stage
- 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)

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

Source: HKEX data as of 31 January 2018

(1) Northbound 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 August 2016
(3) China Insurance Regulatory Commission (CIRC) published the notice on 8 September 2016
Thank you