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

- Continued bearish investor sentiment
- Subdued Cash Market trading activity both locally and globally

- 1H 2016 PAT down 27% y-o-y compared to exceptional volumes in 1H 2015
- Increased futures derivatives trading partly offsets drop in Cash and Commodities

- Globally #1 in IPO funds raised, despite lower funds raised

- Announced 2016-18 Strategic Plan
- Continue with core strategic initiatives but cautious approach to less critical expenditure

- Commenced rollout of new derivatives products across all asset classes
  Launched Closing Auction Session on 25 July
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## Highlights – 1H 2016 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></td>
<td>-18%</td>
<td>-25%</td>
<td>-27%</td>
<td>-29%</td>
</tr>
<tr>
<td></td>
<td>-17% (excl. LCH) (2)</td>
<td>-24%</td>
<td>-25% (excl. Lehman and LCH) (2)</td>
<td>-28% (excl. Lehman and LCH) (2)</td>
</tr>
<tr>
<td>ADT $125.3bn</td>
<td>6,853</td>
<td>5,273</td>
<td>4,095</td>
<td>3.49</td>
</tr>
<tr>
<td>-46%</td>
<td>5,630</td>
<td>3,942</td>
<td>2,985</td>
<td>2.47</td>
</tr>
</tbody>
</table>

### Revenue and Other Income
- **Revenue and Other Income**
  - **ADT** $125.3bn, -46% compared to $67.5bn in 1H 2015.
  - **Trading and clearing fees on ADT in Cash and ADV in Commodities but partly offset by ADV on HKFE**

### Operating Expenses (1)
- **Operating Expenses**
  - **Operating Expenses** increased by 7% in 1H 2016 compared to 1H 2015.
  - **EBITDA** margin decreased by 7%.

### EBITDA
- **EBITDA** dropped by 25% in 1H 2016 compared to 1H 2015.
- **EBITDA margin** decreased by 7%.

### Profit Attributable to HKEX Shareholders
- **Profit Attributable to HKEX Shareholders** decreased by 27% in 1H 2016 compared to 1H 2015.
- **PAT** more than EBITDA due to increased D&A but partly offset by reduced finance costs on conversion of convertible bonds.

### Basic Earnings per Share
- **Basic Earnings per Share** decreased by 29% in 1H 2016 compared to 1H 2015.
- % decrease higher than PAT due to scrip dividends and shares issued for convertible bonds in Q2 2015.

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(1) Excludes depreciation and amortisation, finance costs, and share of loss of a joint venture.
(2) LCH: An exceptional gain of $31 million of sale of investment in shares of LCH, Clearnet Group Limited was recorded in 1H 2015; Lehman: A one-off recovery of $77 million from the liquidators of Lehman Brothers Securities Asia Limited was recorded in 1H 2015, reducing opex in that period.
Revenue Movement by Markets

**Volume in Cash and Commodities partially offset by Futures with highest growth in HSI Futures attributable to Mainland and HFT players**

(1) Includes depository, custody and nominee services fees, net investment income, other revenue and sundry income
### 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>-37%</td>
<td>-3%</td>
<td>-19%</td>
<td>-25%</td>
<td>+9%</td>
<td>-25%</td>
</tr>
<tr>
<td>1,610 (Aus$ million)</td>
<td>864</td>
<td>632</td>
<td>2,348</td>
<td>174</td>
<td>5,273 (77%)</td>
</tr>
<tr>
<td>29%</td>
<td>15%</td>
<td>11%</td>
<td>42%</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td>1H 2015</td>
<td>1H 2015</td>
<td>1H 2015</td>
<td>1H 2015</td>
<td>1H 2015</td>
<td>1H 2015</td>
</tr>
<tr>
<td>1H 2016</td>
<td>1H 2016</td>
<td>1H 2016</td>
<td>1H 2016</td>
<td>1H 2016</td>
<td>1H 2016</td>
</tr>
</tbody>
</table>

**Share of Group EBITDA (before Corporate Items):**
- Equity & Financial Derivatives: 29%
- Commodities: 17%
- Clearing: 19%
- Platform & Infrastructure: 12%
- Cash Equity: 24%

**Overall EBITDA margin of 70% – 7% drop due to lower volumes traded on SEHK and LME**

- Trading fees & tariff from ADT (2016: $48.3bn; 2015: $96.9bn)
- Listing fees due to more listed companies
- Listing fee due to newly listed DWS and CBBCs
- Staff costs and index license fees
- Trading fees from ADV (2016: 635k; 2015: 696k)
- Staff costs and legal and professional fees (2015: recovery of litigation fee of $5m)
- Revenue due to volumes on SEHK and LME
- Costs due to recovery from Lehman of $77m in 2015, partly offset by staff costs
- Network usage fees due to participants migrating to Orion Central Gateway
- Hosting services fees due to racks taken up by customers

**Overall EBITDA margin 7%**
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>1034 ($ million)</td>
<td>0%</td>
<td>+17%</td>
<td>+59%</td>
<td>+68%</td>
<td>+18%</td>
</tr>
<tr>
<td>1H 2015</td>
<td>1H 2016</td>
<td>1H 2015</td>
<td>1H 2016</td>
<td>1H 2015</td>
<td>1H 2015</td>
</tr>
<tr>
<td>-2%</td>
<td>0%</td>
<td>251</td>
<td>139</td>
<td>29</td>
<td>325</td>
</tr>
<tr>
<td>1H 2016</td>
<td>1H 2016</td>
<td>251</td>
<td>162</td>
<td>46</td>
<td>382</td>
</tr>
</tbody>
</table>

- **Variable pay accruals based on profitability of the Group partly offset by headcount and annual payroll adjustments**
- **Stable**
- New office premises for LME and rental expenses after sale of Worldwide House (2)
- Fees for strategic projects in 2016 and recovery of $5m litigation costs in 1H 2015
- One off recovery from Lehman liquidators of $77m recorded in 1H 2015 and higher index license fees due to higher HKFE ADV in 1H 2016
- From newly completed projects

(1) Includes product marketing and promotion expenses
(2) One-off gain of $445 million in September 2015
Exceptional revenue and profit growth in 2015 has returned to the previous trend line

(1) Excludes depreciation and amortisation, finance costs and share of results of a joint venture
### Highlights – Balance Sheet

**As of 30 June 2016**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Corporate Funds</td>
<td>16,985</td>
</tr>
<tr>
<td>Margin Funds and Clearing House Funds</td>
<td>114,161</td>
</tr>
<tr>
<td>Other assets</td>
<td>7,636</td>
</tr>
<tr>
<td>Fixed assets and lease premium for land</td>
<td>1,512</td>
</tr>
<tr>
<td>Goodwill and other intangible assets</td>
<td>17,842</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>205,979</td>
</tr>
<tr>
<td><strong>Liabilities and Equity</strong></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>3,418</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>10,369</td>
</tr>
<tr>
<td>Liabilities of Margin Funds and Clearing House Funds</td>
<td>113,229</td>
</tr>
<tr>
<td>Derivative financial instruments – base metals contracts cleared through LME Clear</td>
<td>47,843</td>
</tr>
<tr>
<td>HKEX shareholders’ equity</td>
<td>30,987</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>133</td>
</tr>
<tr>
<td><strong>Total Liabilities and Equity</strong></td>
<td>205,979</td>
</tr>
</tbody>
</table>

**Debt level remains steady with modest increase in Equity and Corporate Funds**

- **Net Debt (1)**: -
- **Total Debt / Equity (2)**: 11%
- **Total Debt / Annualised EBITDA**: 0.4x
- **Net Debt / Equity**: N/A

---

(1) Net Debt equals total borrowings minus cash and cash equivalents of Corporate Funds. It is zero since cash and cash equivalents of Corporate Funds is greater than total borrowings.

(2) Amounts exclude non-controlling interests and designated reserves.
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Business Update

**2016 YTD**(1)

- **Sector Index Futures**
  7 new contracts launched on 9 May

- **RMB Currency Futures**
  4 new pairs launched on 30 May

- **Leveraged & Inverse ETFs**
  First listings on 13 June

- **LMEprecious**
  Announced on 9 August

**Upcoming**

- **Cross Currency Swaps**
  Service launch in August 2016

- **Mini H-shares Index (HHI) Options**
  Set for launch on 5 September 2016

- **Fourth calendar month contract for HSI and HHI options**
  Set for launch in November 2016

- **Deliverable Gold Futures – RMB + USD**

- **Other interest rate / FX products**

- **Volatility Control Mechanism**
  Set for launch on 22 August 2016

- **Stock option position limit revamp**

- **Cash trading platform upgrade under way**

- **Next Generation Post Trade platform replacement process has begun**

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(1) YTD: as of 10 August 2016
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Recap of HKEX’s Strategic Vision

**Cross-Border Access Platform**

- The most effective cross-border market access platform...
- ...and a unique destination market for products with both Chinese and international relevance...
- ...across three major asset classes

**Investors**

- EQUITY
- COMMODITIES
- FIC

**Products**

- DESTINATION MARKET
## Strategic Update

### Equity
- **Initiatives**
  - Primary Connect
  - A-share Derivatives
  - Listing Regime Reform
  - Potential new board
- **Next Step**
  - Advocate and lobby relevant regulators
  - Consultation
  - Concept development

### FIC
- **Initiatives**
  - Currency
    - Complete basket of currency derivatives
  - Bond Market
    - Build Bond Connect
    - Launch Treasury Bond futures
- **Next Step**
  - Develop and launch products
  - Close consultation with regulators
  - Regulatory preparation

### Commodities
- **Initiatives**
  - International
    - LME
    - LME Clear
  - Onshore Spot Platform
- **Next Step**
  - Consolidate gains in commercialisation
  - Push for greater access to China in warehouse and liquidity
  - Extend to OTC Clear
  - System near completion
  - User acceptance test to begin in Q4
  - Warehouse negotiation to begin in Q4
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## Financial Highlights – Income Statement

<table>
<thead>
<tr>
<th></th>
<th>1H 2016</th>
<th>% of Revenue &amp; Other Income</th>
<th>1H 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>5,630</td>
<td>100%</td>
<td>6,853</td>
<td>100%</td>
<td>(18%)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(1,688)</td>
<td>(30%)</td>
<td>(1,580)</td>
<td>(23%)</td>
<td>7%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3,942</td>
<td>70%</td>
<td>5,273</td>
<td>77%</td>
<td>(25%)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(382)</td>
<td>(7%)</td>
<td>(325)</td>
<td>(5%)</td>
<td>18%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>3,560</td>
<td>63%</td>
<td>4,948</td>
<td>72%</td>
<td>(28%)</td>
</tr>
<tr>
<td>Finance costs and share of loss in a joint venture</td>
<td>(48)</td>
<td>(1%)</td>
<td>(82)</td>
<td>(1%)</td>
<td>(41%)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>3,512</td>
<td>62%</td>
<td>4,866</td>
<td>71%</td>
<td>(28%)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(540)</td>
<td>(9%)</td>
<td>(783)</td>
<td>(11%)</td>
<td>(31%)</td>
</tr>
<tr>
<td>Loss attributable to non-controlling interests</td>
<td>13</td>
<td>0%</td>
<td>12</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>Profit attributable to HKEX shareholders</td>
<td>2,985</td>
<td>53%</td>
<td>4,095</td>
<td>60%</td>
<td>(27%)</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$2.47</td>
<td></td>
<td>$3.49</td>
<td></td>
<td>(29%)</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$2.47</td>
<td></td>
<td>$3.47</td>
<td></td>
<td>(29%)</td>
</tr>
<tr>
<td>Average daily turnover on the Stock Exchange</td>
<td>$67.5 bn</td>
<td></td>
<td>$125.3 bn</td>
<td></td>
<td>(46%)</td>
</tr>
<tr>
<td>Capex</td>
<td>$266 m</td>
<td></td>
<td>$262 m</td>
<td></td>
<td>2%</td>
</tr>
</tbody>
</table>
## Performance by Operating Segment – 1H 2016

<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 1H 2016</th>
<th>Group 1H 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and other income</td>
<td>1,282</td>
<td>1,065</td>
<td>804</td>
<td>2,122</td>
<td>264</td>
<td>93</td>
<td>5,630</td>
<td>6,853</td>
</tr>
<tr>
<td>% of Group Total</td>
<td>23%</td>
<td>19%</td>
<td>14%</td>
<td>38%</td>
<td>5%</td>
<td>1%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(270)</td>
<td>(229)</td>
<td>(291)</td>
<td>(352)</td>
<td>(74)</td>
<td>(472)</td>
<td>(1,688)</td>
<td>(1,580)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,012</td>
<td>836</td>
<td>513</td>
<td>1,770</td>
<td>190</td>
<td>(379)</td>
<td>3,942</td>
<td>5,273</td>
</tr>
<tr>
<td>% of Group Total (1)</td>
<td>26%</td>
<td>21%</td>
<td>13%</td>
<td>45%</td>
<td>5%</td>
<td>(10%)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>79%</td>
<td>78%</td>
<td>64%</td>
<td>83%</td>
<td>72%</td>
<td>N/A</td>
<td>70%</td>
<td>77%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(44)</td>
<td>(45)</td>
<td>(147)</td>
<td>(88)</td>
<td>(22)</td>
<td>(36)</td>
<td>(382)</td>
<td>(325)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(43)</td>
<td>(43)</td>
<td>(77)</td>
</tr>
<tr>
<td>Share of loss of a joint venture</td>
<td>-</td>
<td>(5)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5)</td>
<td>(5)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>968</td>
<td>786</td>
<td>366</td>
<td>1,682</td>
<td>168</td>
<td>(458)</td>
<td>3,512</td>
<td>4,866</td>
</tr>
</tbody>
</table>

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

1H 2016: Total $355m; 1H 2015: Total $391m

- Overall, investment income for 1H 2016 decreased by 9% versus 1H 2015, mainly due to a non-recurring gain from sale of LCH in 1H 2015

- Decreases in Margin Fund income in 1H 2016 offset by improved performance in Corporate Funds:
  - Corporate Funds
    Improved in 1H 2016 versus same period in 2015 with gains in fixed income investments as interest rates declined and credit spreads continued to tighten. Gains on bonds were partially offset by the non-recurring gain from sale of LCH in 1H 2015 and weaker equity performance in 1H 2016
  - Margin Funds
    Lower fund size in 1H 2016 resulted in decline in investment income but offset by better yield in cash & bank deposits as less deposits were required to be placed with the note-issuing banks which offer very low deposit rates

(1) Includes $31 million gain on sale of LCH in 1H 2015
Drivers of Revenue

Relationship of headline ADT to 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></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$96.9bn</td>
<td>$28.4bn</td>
<td>$125.3bn</td>
<td>$125.3bn</td>
</tr>
<tr>
<td>-50%</td>
<td>-32%</td>
<td>-46%</td>
<td>-20%</td>
</tr>
<tr>
<td>$48.3bn</td>
<td>$19.2bn</td>
<td>$67.5bn</td>
<td>$67.5bn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1H 2015</th>
<th>1H 2016</th>
<th>1H 2015</th>
<th>1H 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,886</td>
<td>1,282</td>
<td>1,100</td>
<td>886</td>
</tr>
<tr>
<td>1,321</td>
<td>678</td>
<td>1,065</td>
<td>791</td>
</tr>
<tr>
<td>335</td>
<td>33</td>
<td>3</td>
<td>78</td>
</tr>
<tr>
<td>23</td>
<td>5</td>
<td>109</td>
<td>65</td>
</tr>
<tr>
<td>207</td>
<td>200</td>
<td>160</td>
<td>644</td>
</tr>
<tr>
<td>229</td>
<td>776</td>
<td>87</td>
<td>721</td>
</tr>
<tr>
<td>3</td>
<td>5</td>
<td>109</td>
<td>65</td>
</tr>
<tr>
<td>335</td>
<td>33</td>
<td>3</td>
<td>78</td>
</tr>
<tr>
<td>207</td>
<td>200</td>
<td>5</td>
<td>109</td>
</tr>
</tbody>
</table>

- Trading fees and trading tariff 49% due to ADT
- Listing fees 11% due to in no. of listed cos.
- Trading fees 2% due to ADV of derivatives contracts traded on HKFE and higher proportion of higher fee products, offset by ADV of stock options contracts and ADT of DWs and CBBCs
- Listing fees 30% due to in no. of newly listed DWs and CBBCs
- HK Clearing fees $453m due to ADT and SI
- LMEC clearing fees $36m due to ADV
- Net investment income $44m due to reduced fund size
Stock Connect – Trading Trends

Stock Connect contributed $71m in income in 1H 2016 vs. $115m in 1H 2015

**Stock Connect Average Daily Trading Volume**

- **Southbound (SB) (HKD bn)**
- **Northbound (NB) (RMB bn)**

**Southbound Record**: HKD26.1 bn on 9 April

**Northbound Record**: RMB23.4 bn on 6 July

- **Average Daily Trading Volume (since launch)**: RMB5.1bn (0.6% of SSE Total)
- **Aggregate Quota Used**: RMB144.7bn (48.2% of Aggregate Quota)

- **Average Daily Trading Volume (since launch)**: HKD3.0bn (1.5% of SEHK Total)
- **Aggregate Quota Used**: RMB200.8bn (80.3% of Aggregate Quota)

Source: HKEX data as of 29 Jul 2016
Thank you