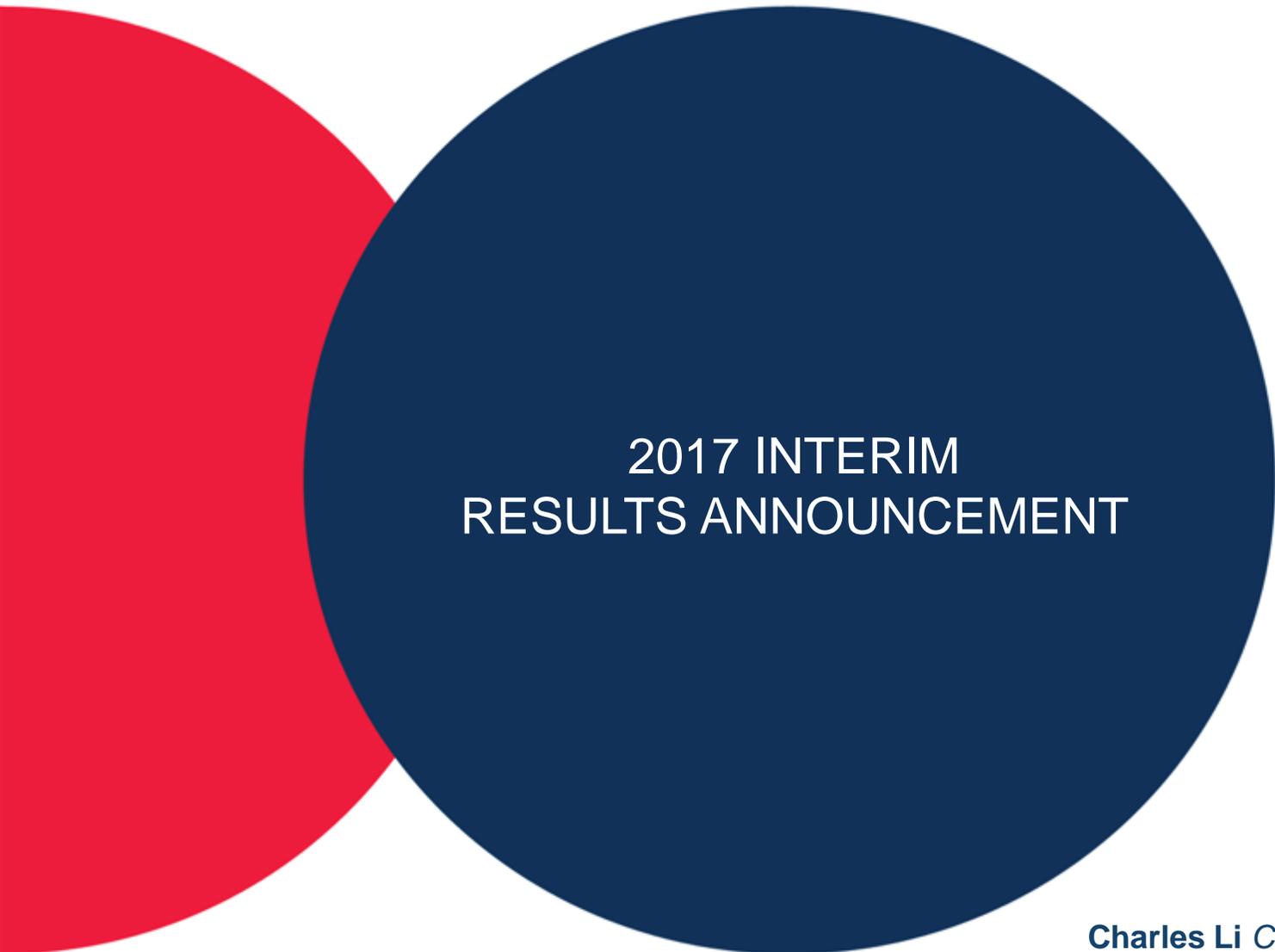


9 August 2017



2017 INTERIM  
RESULTS ANNOUNCEMENT

**HKEX**  
香港交易所

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

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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.

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# Agenda

**1** **Highlights**

**2** **HKEX Group Financial Review**

**3** **Business and Strategic Update**

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**4** **Appendix**



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**1** Highlights

2 HKEX Group Financial Review

3 Business and Strategic Update

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4 Appendix



## 1H 2017 – Key Highlights

**Political and economic uncertainties continue to cloud global economic prospects**

**Improved Cash Market sentiment offset by reduced Derivatives volumes**

**Excluding one-off items, revenue up 9% and PAT up 15% yoy;  
Revenue boosted by increased net investment income**

**Bond Connect Northbound trading link launched on 3 July 2017**

**Maintained cost discipline while continuing with strategic initiatives**



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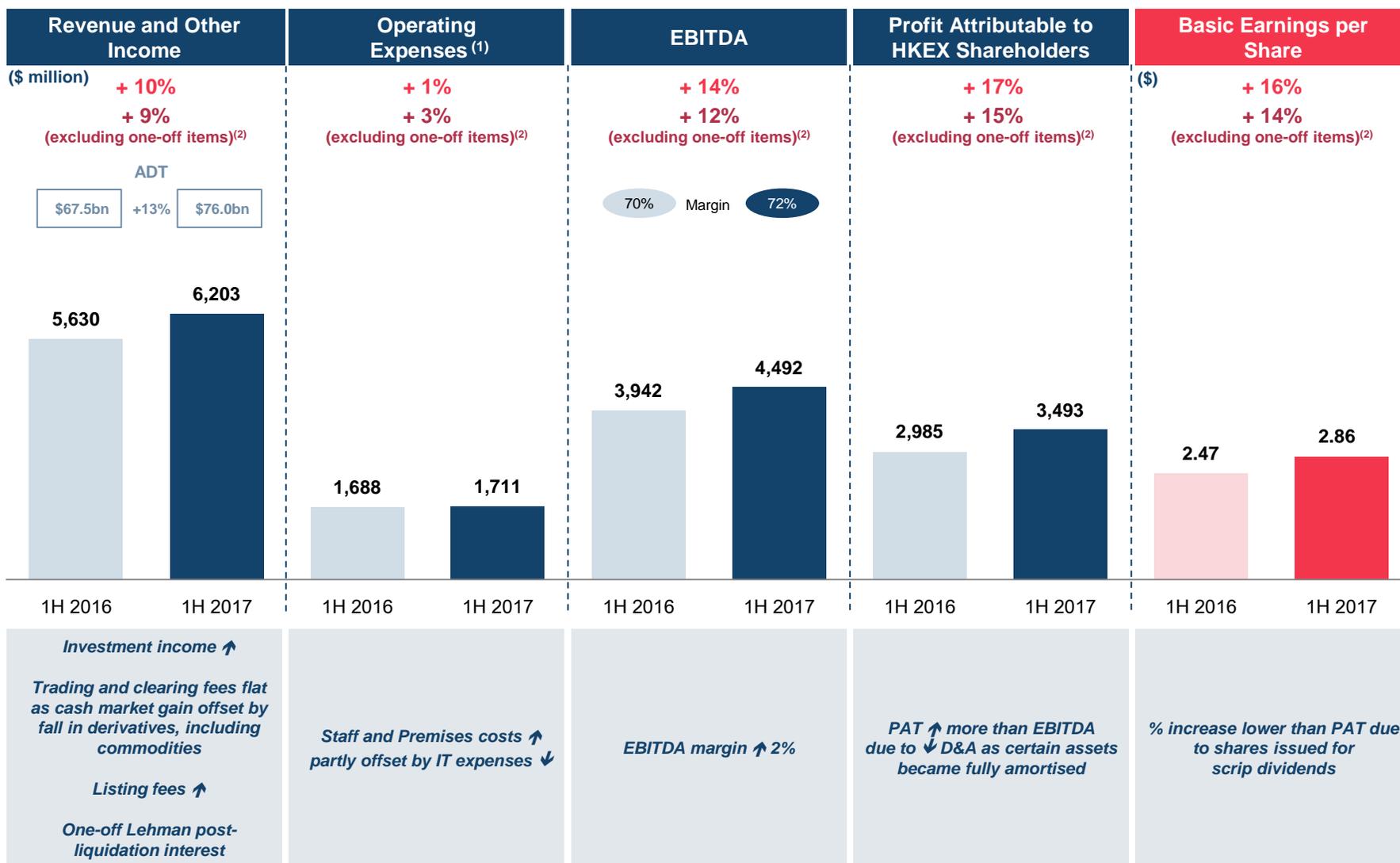
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# Highlights – 1H 2017 Results

## Prior year comparison



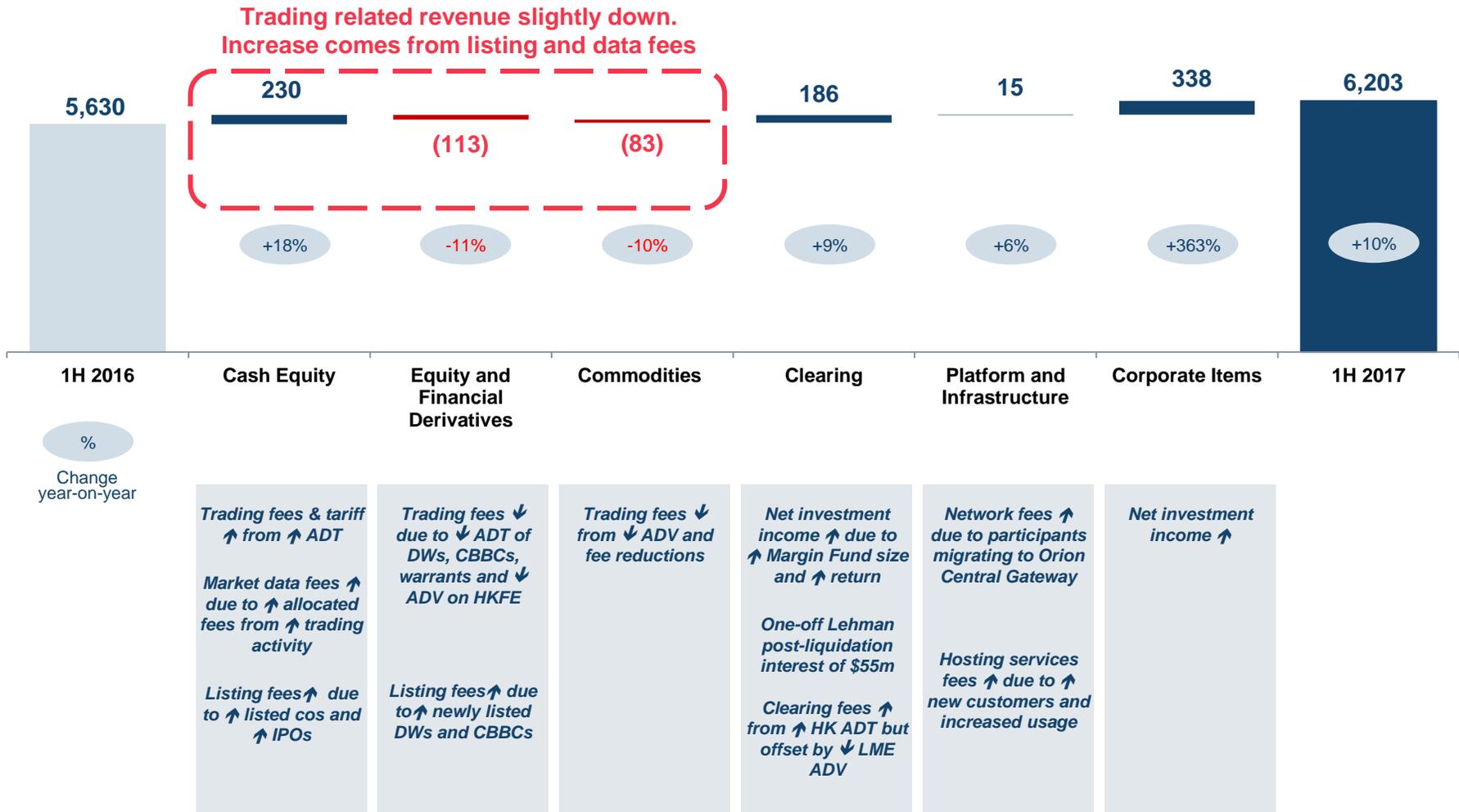
(1) Excludes depreciation and amortisation, finance costs, and share of loss of a joint venture

(2) 2017 one-off revenue item is Lehman post-liquidation interest payment of \$55m. One-off opex item is an insurance recovery of \$23m



# Revenue Movement by Segment

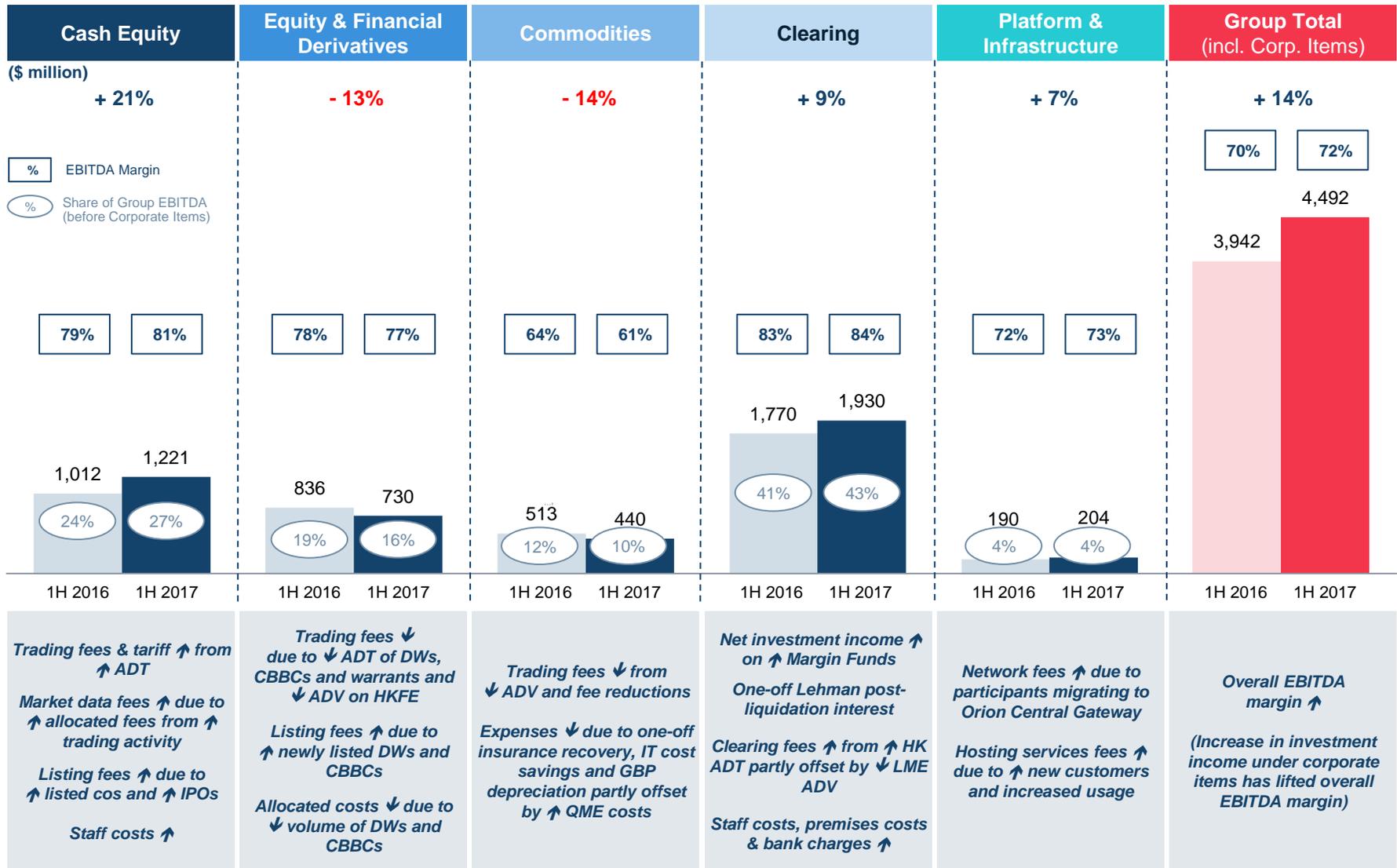
(\$ million)



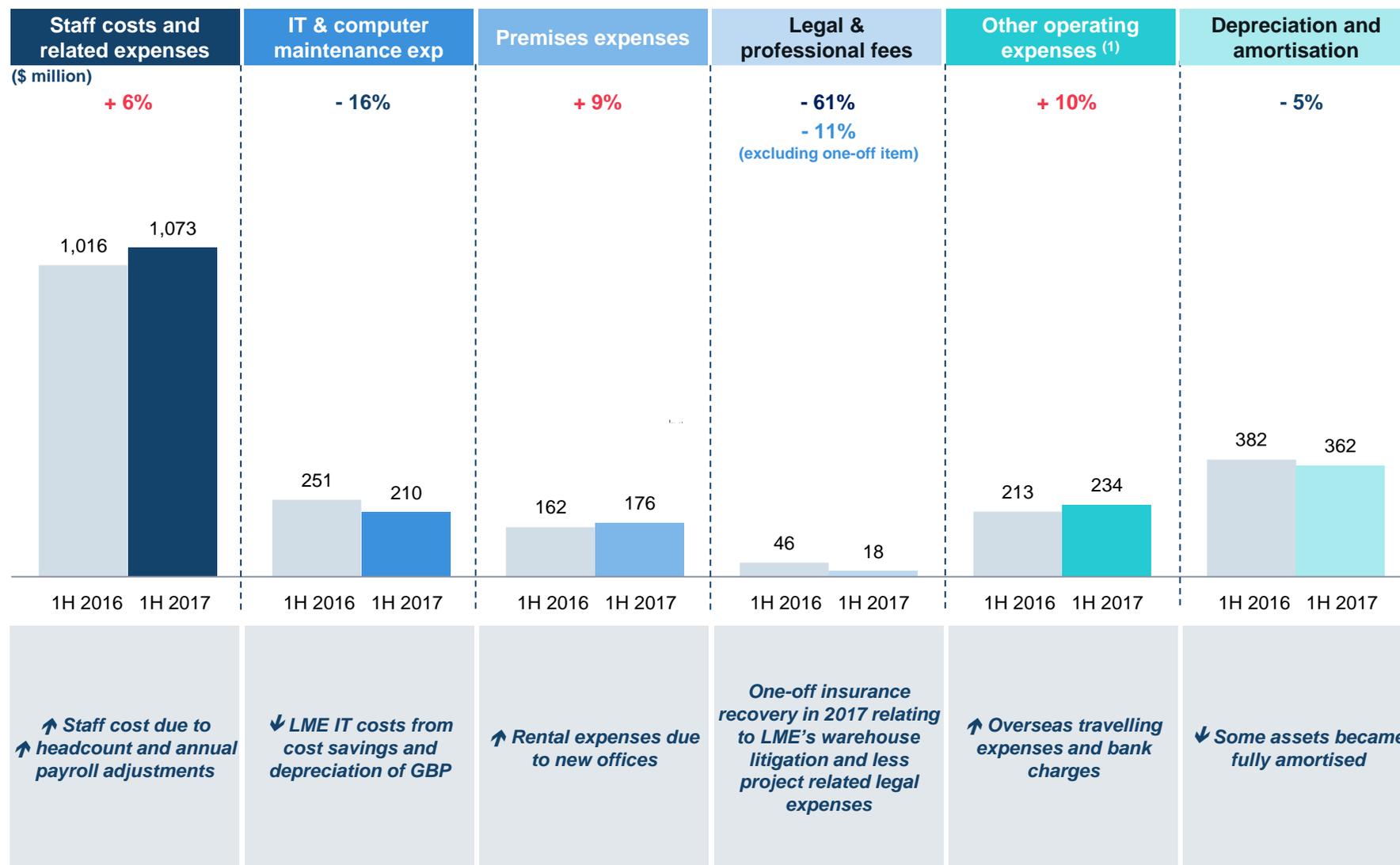
(1) Headline ADT up 13% (1H 2017: \$76.0bn; 1H 2016: \$67.5bn); ADT of cash equity up 27% (1H 2017: \$61.4bn; 1H 2016: \$48.3bn); ADT of DWs, CBBCs and warrants included under equity and financial derivatives down 24% (1H 2017: \$14.6bn; 1H 2016: \$19.2bn)

# Performance by Operating Segment

## EBITDA



# Operating Expenses and Depreciation & Amortisation

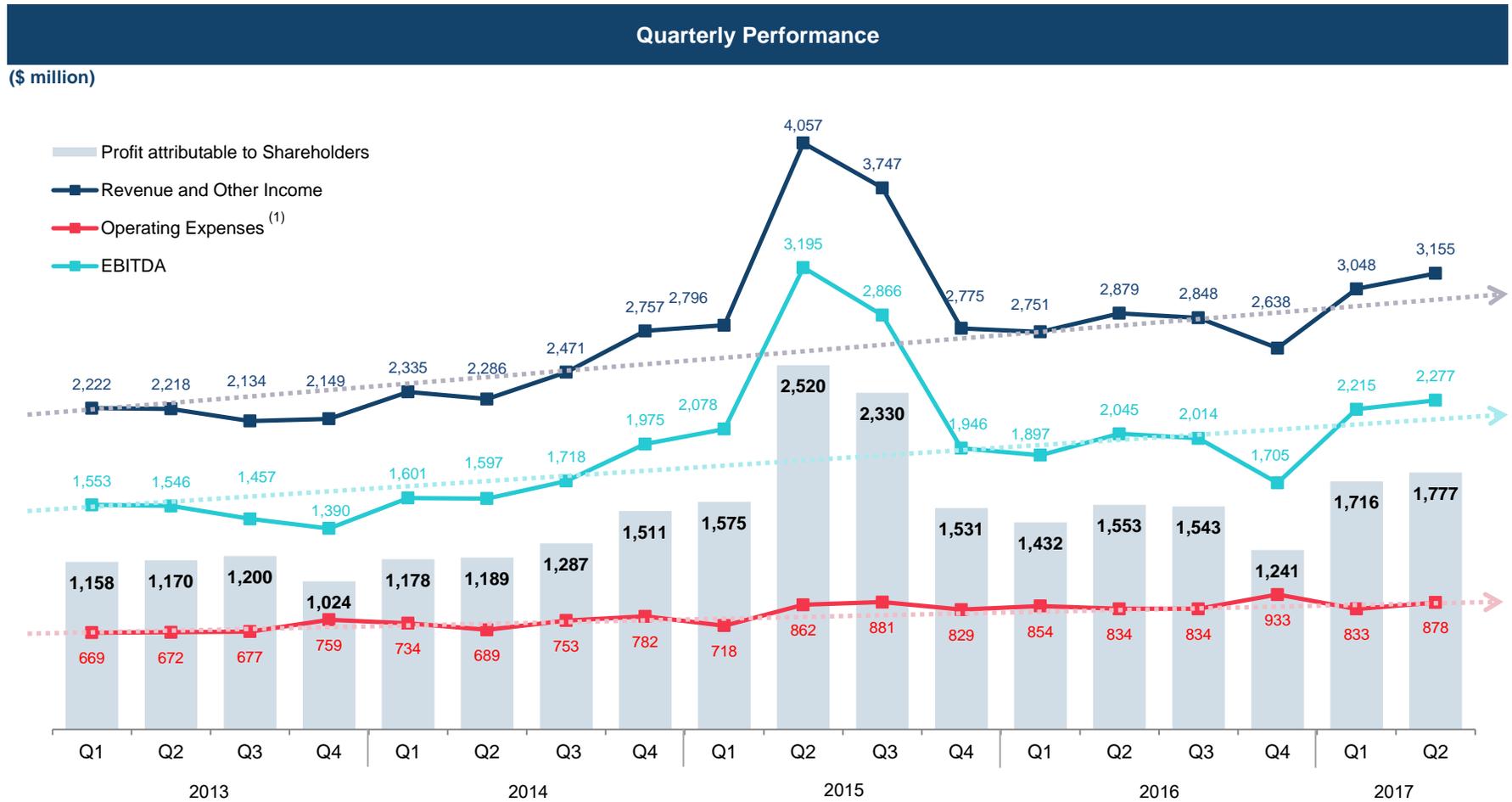


(1) Includes product marketing and promotion expenses



# Quarterly Trend

Results in line with historical trend



**Record 2015 performance distorts long term view; subsequent performance in line with historical trend**



(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

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# Business Update

## 2017 YTD<sup>(1)</sup>

### Equities

- Launched 17 Leveraged & Inverse Products tracking HSI & HSCEI in March 2017
- Continued to enhance Stock Connect operating model
- **Launched consultation on a proposed New Board and a review of GEM on 16 June 2017**

### FIC

- Launched new USD/CNH Currency Options on 20 March 2017
- OTC Clear launched Client Clearing and allowed acceptance of non-cash collateral in Q1 2017 and continued with new members onboarding
- Launched pilot MOF T-Bond Futures on 10 April 2017
- **Launched Bond Connect Northbound trading link on 3 July 2017**

### Commodities

- Launched discussion paper on LME market structure on 24 April 2017
- Upgraded LMEselect in Q1 2017, LMEsmart and LMEmercury in Q2 2017
- **Launched physically settled CNH and USD Gold Futures contracts in Hong Kong and LMEprecious in London on 10 July 2017**

### Market Microstructure & Platforms

- Launched Volatility Control Mechanism (VCM) in the derivatives market on 16 January 2017
- Introduced margin offset between HSI and HSCEI futures and options on 20 March 2017
- Introduced the revised stock options position limit (SOPL) model on 1 June 2017
- Issued a consultation paper on the proposed after-hours trading enhancements on 28 June 2017
- Introduced China Connect Central Gateway to facilitate Northbound trading on 17 July 2017
- **Launched Phase 2 of the Closing Auction Session (CAS) on 24 July 2017**



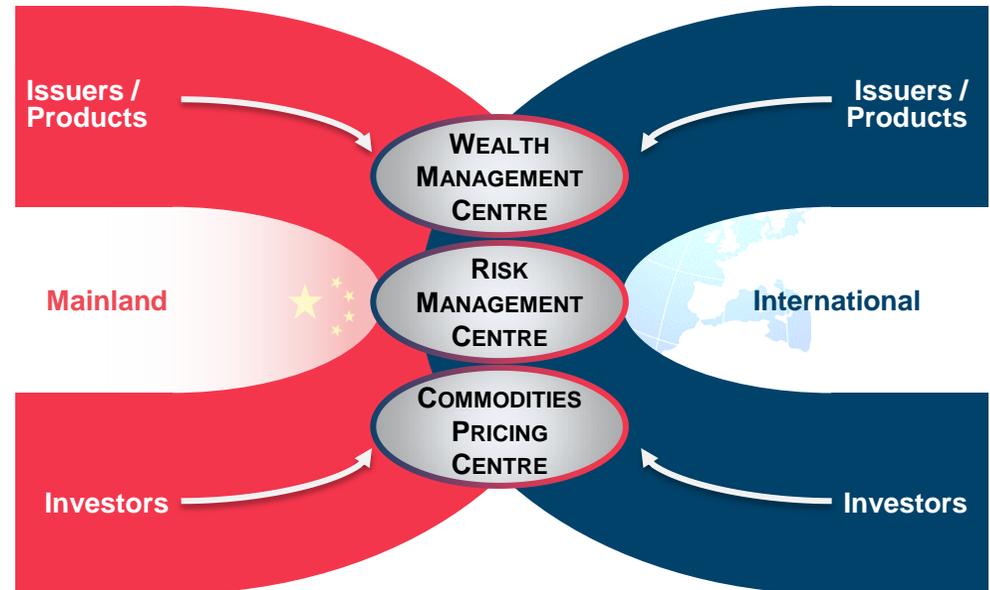
(1) YTD as of 9 Aug 2017

# 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?

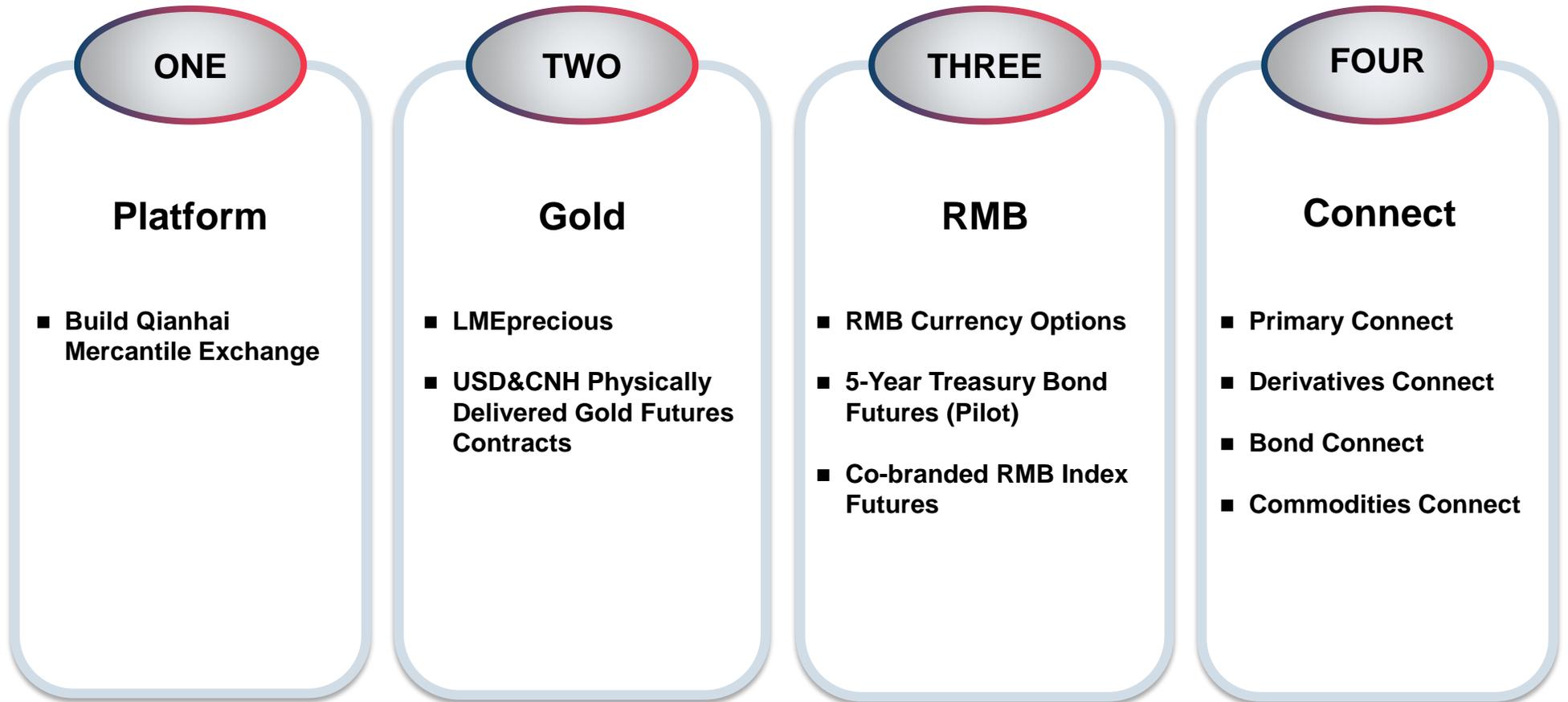


### Need to bring:

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



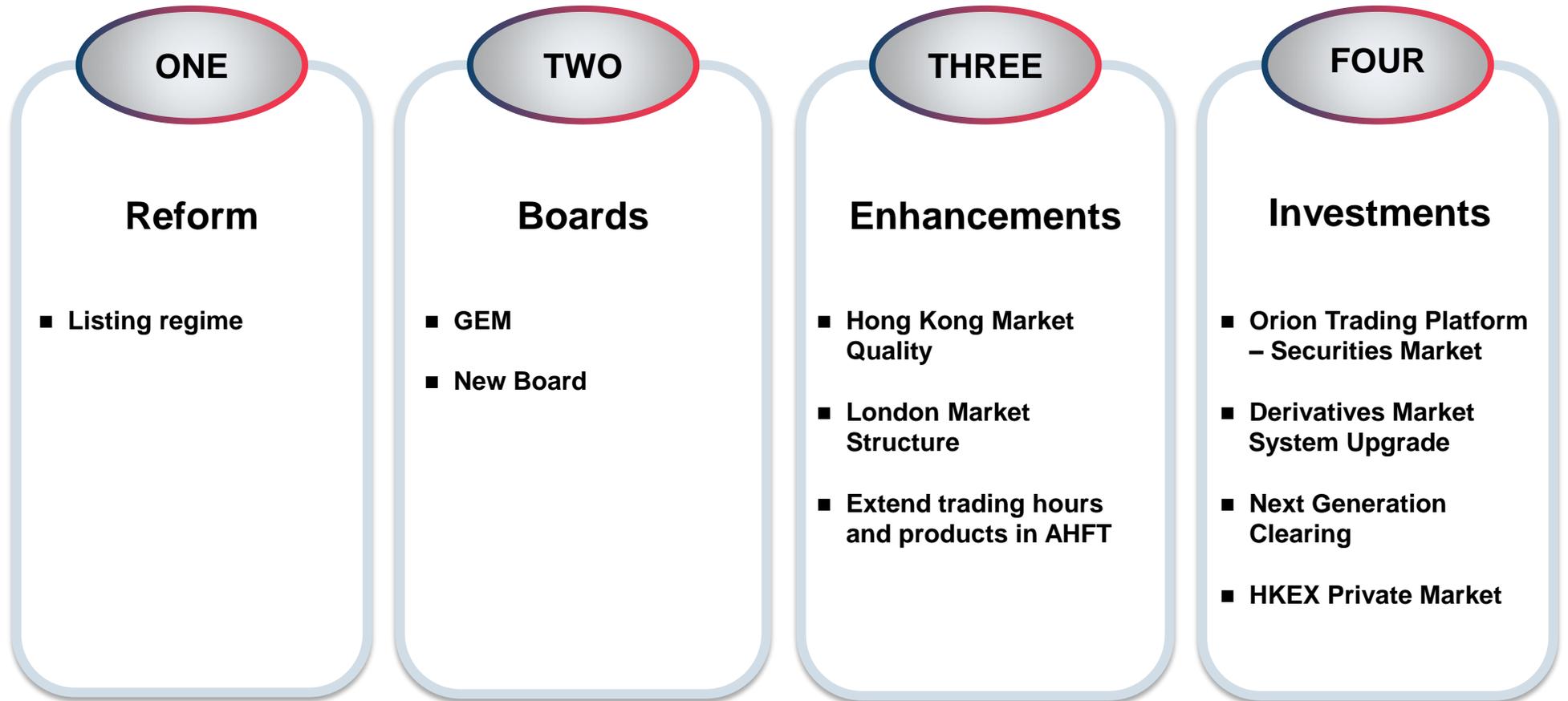
# Strategic Development Highlights



Portfolio of initiatives across asset classes and connecting to China



# Market Development Highlights



Strong emphasis on listing reform and continued enhancement of market structure



# Q & A



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## Financial Highlights – Income Statement

(\$ million, unless stated otherwise)	1H 2017	% of Revenue & Other Income	1H 2016	% of Revenue & Other Income	Y-o-Y Change
<b>Results</b>					
Revenue and other income	6,203	100%	5,630	100%	10%
Operating expenses	(1,711)	(28%)	(1,688)	(30%)	1%
<b>EBITDA</b>	<b>4,492</b>	<b>72%</b>	<b>3,942</b>	<b>70%</b>	<b>14%</b>
Depreciation and amortisation	(362)	(6%)	(382)	(7%)	(5%)
<b>Operating profit</b>	<b>4,130</b>	<b>66%</b>	<b>3,560</b>	<b>63%</b>	<b>16%</b>
Finance costs and share of loss in a joint venture	(70)	(1%)	(48)	(1%)	46%
<b>Profit before taxation</b>	<b>4,060</b>	<b>65%</b>	<b>3,512</b>	<b>62%</b>	<b>16%</b>
Taxation	(582)	(9%)	(540)	(9%)	8%
Loss attributable to non-controlling interests	15	0%	13	0%	15%
<b>Profit attributable to HKEX shareholders</b>	<b>3,493</b>	<b>56%</b>	<b>2,985</b>	<b>53%</b>	<b>17%</b>
Basic earnings per share	\$2.86		\$2.47		16%
<b>Average daily turnover on the Stock Exchange</b>	<b>\$76.0 bn</b>		<b>\$67.5 bn</b>		<b>13%</b>
<b>Capex</b>	<b>\$306 m</b>		<b>\$266 m</b>		<b>15%</b>



## Performance by Operating Segment – 1H 2017

\$ million	Cash Equity	Equity & Financial Derivatives	Commodities	Clearing	Platform and Infrastructure	Corporate Items	Group 1H 2017	Group 1H 2016
<b>Revenue and other income</b>	<b>1,512</b>	<b>952</b>	<b>721</b>	<b>2,308</b>	<b>279</b>	<b>431</b>	<b>6,203</b>	<b>5,630</b>
<i>% of Group Total</i>	<i>24%</i>	<i>15%</i>	<i>12%</i>	<i>37%</i>	<i>5%</i>	<i>7%</i>	<b>100%</b>	<b>100%</b>
<b>Operating expenses</b>	<b>(291)</b>	<b>(222)</b>	<b>(281)</b>	<b>(378)</b>	<b>(75)</b>	<b>(464)</b>	<b>(1,711)</b>	<b>(1,688)</b>
<b>EBITDA</b>	<b>1,221</b>	<b>730</b>	<b>440</b>	<b>1,930</b>	<b>204</b>	<b>(33)</b>	<b>4,492</b>	<b>3,942</b>
<i>% of Group Total<sup>(1)</sup></i>	<i>27%</i>	<i>16%</i>	<i>10%</i>	<i>43%</i>	<i>5%</i>	<i>(1%)</i>	<b>100%</b>	<b>100%</b>
<i>EBITDA margin</i>	<i>81%</i>	<i>77%</i>	<i>61%</i>	<i>84%</i>	<i>73%</i>	<i>N/A</i>	<b>72%</b>	<b>70%</b>
Depreciation and amortisation	(33)	(36)	(136)	(92)	(21)	(44)	<b>(362)</b>	<b>(382)</b>
Finance costs	-	-	-	-	-	(65)	<b>(65)</b>	<b>(43)</b>
Share of loss of a joint venture	-	(5)	-	-	-	-	<b>(5)</b>	<b>(5)</b>
<b>Profit before taxation</b>	<b>1,188</b>	<b>689</b>	<b>304</b>	<b>1,838</b>	<b>183</b>	<b>(142)</b>	<b>4,060</b>	<b>3,512</b>

(1) % Share of Group EBITDA (including Corporate Items)

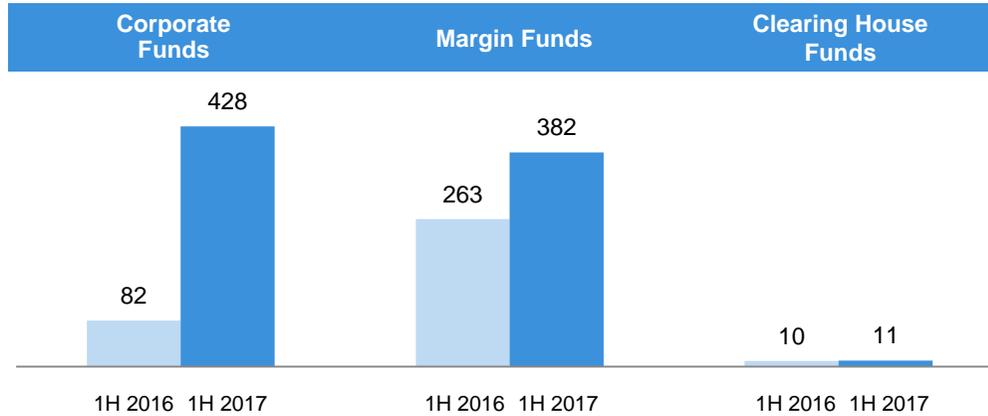


# Net Investment Income

1H 2017: Total \$821m; 1H 2016: Total \$355m

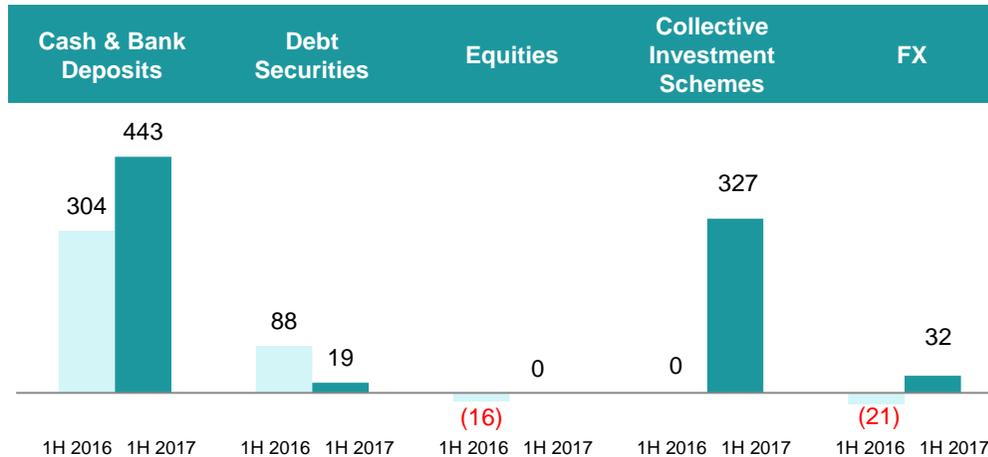
## Net Investment Income by Funds

(\$ million)



## Net Investment Income by Sources

(\$ million)

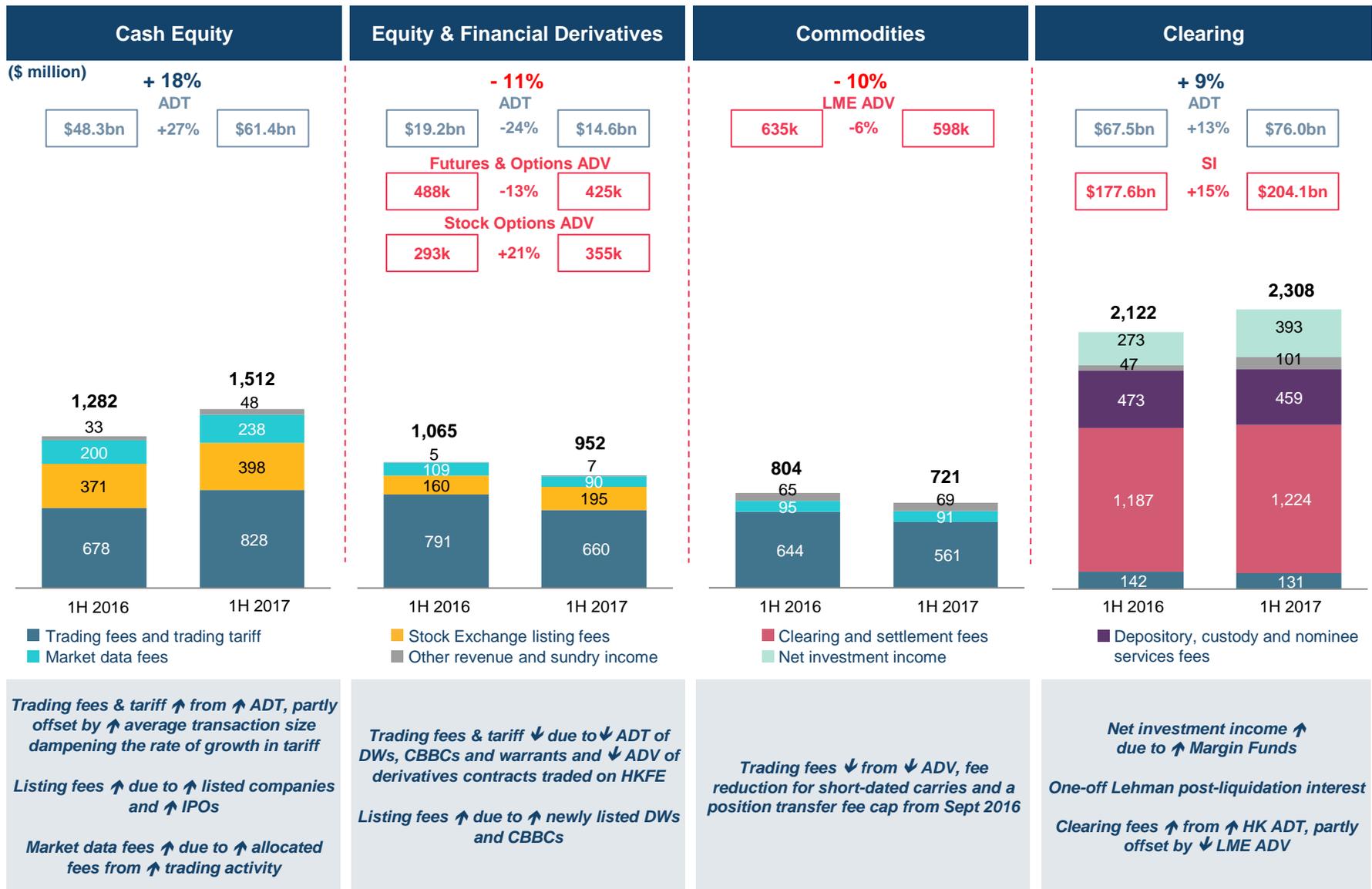


Net investment income for 1H 2017 increased by 131% versus 1H 2016 mainly due to:

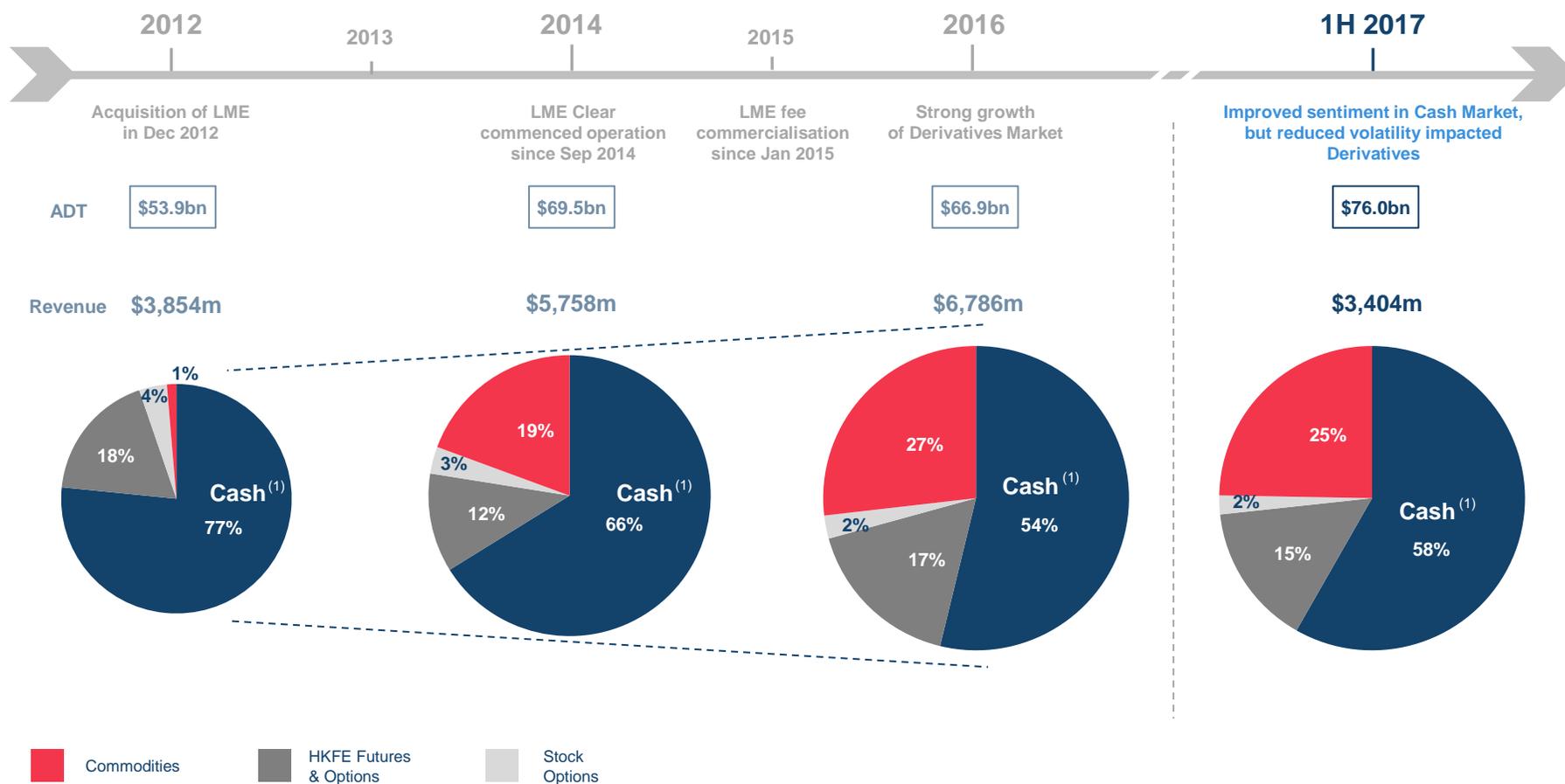
- (1) Gains on collective investment schemes in 1H 2017 in particular the low volatility equities investment category
- (2) Higher net investment income on Margin Funds due to increases in deposit rates and higher average fund size



# Drivers of Trading and Clearing Revenue



# Trading and Clearing Transactional Revenue by Market



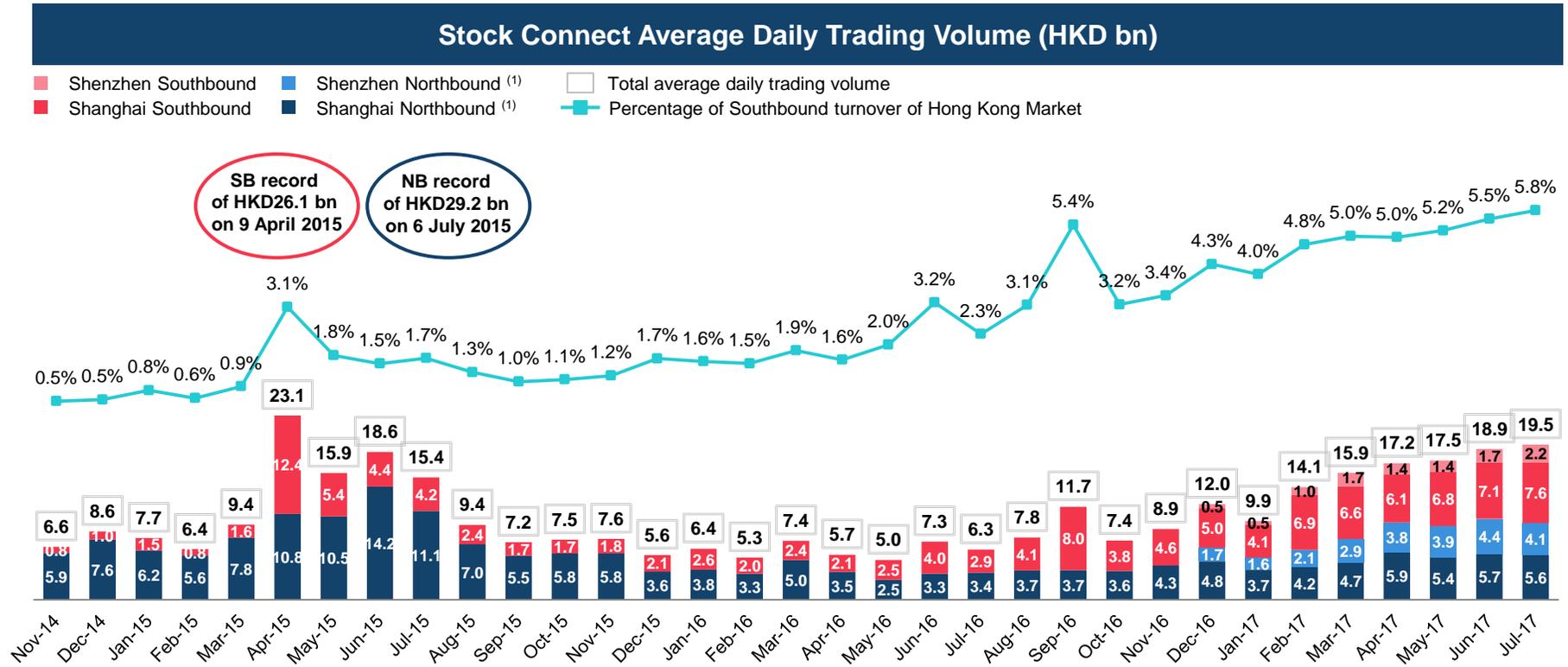
**Fee diversification continues following acquisition of LME and with steady growth of Derivatives Market**



(1) Includes all products traded on the Stock Exchange (ie, equity products, DWs, CBBCs and warrants)

# Stock Connect – Trading Trends

Stock Connect contributed \$162m in income in 1H 2017 and \$71m for 1H 2016



- Northbound turnover exceeded Southbound at the initial stage
- Southbound turnover picked up after the announcement of Shenzhen-Hong Kong Stock Connect<sup>(2)</sup> and the approval of onshore insurance funds to trade through Shanghai-Hong Kong Stock Connect<sup>(3)</sup>

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

Source: HKEX data as of 31 Jul 2017

(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

HKEX Group Website: [www.hkexgroup.com](http://www.hkexgroup.com)

HKEXnews Website: [www.hkexnews.hk](http://www.hkexnews.hk)

