



2010 Results Announcement

Charles Li
Chief Executive

Samuel Wong
Chief Financial Officer

2 March 2011



Agenda

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Overview

2

Business Review

3

Financial Overview

4

Strategic Direction

5

Appendix

2010 – A Banner Year for HKEx



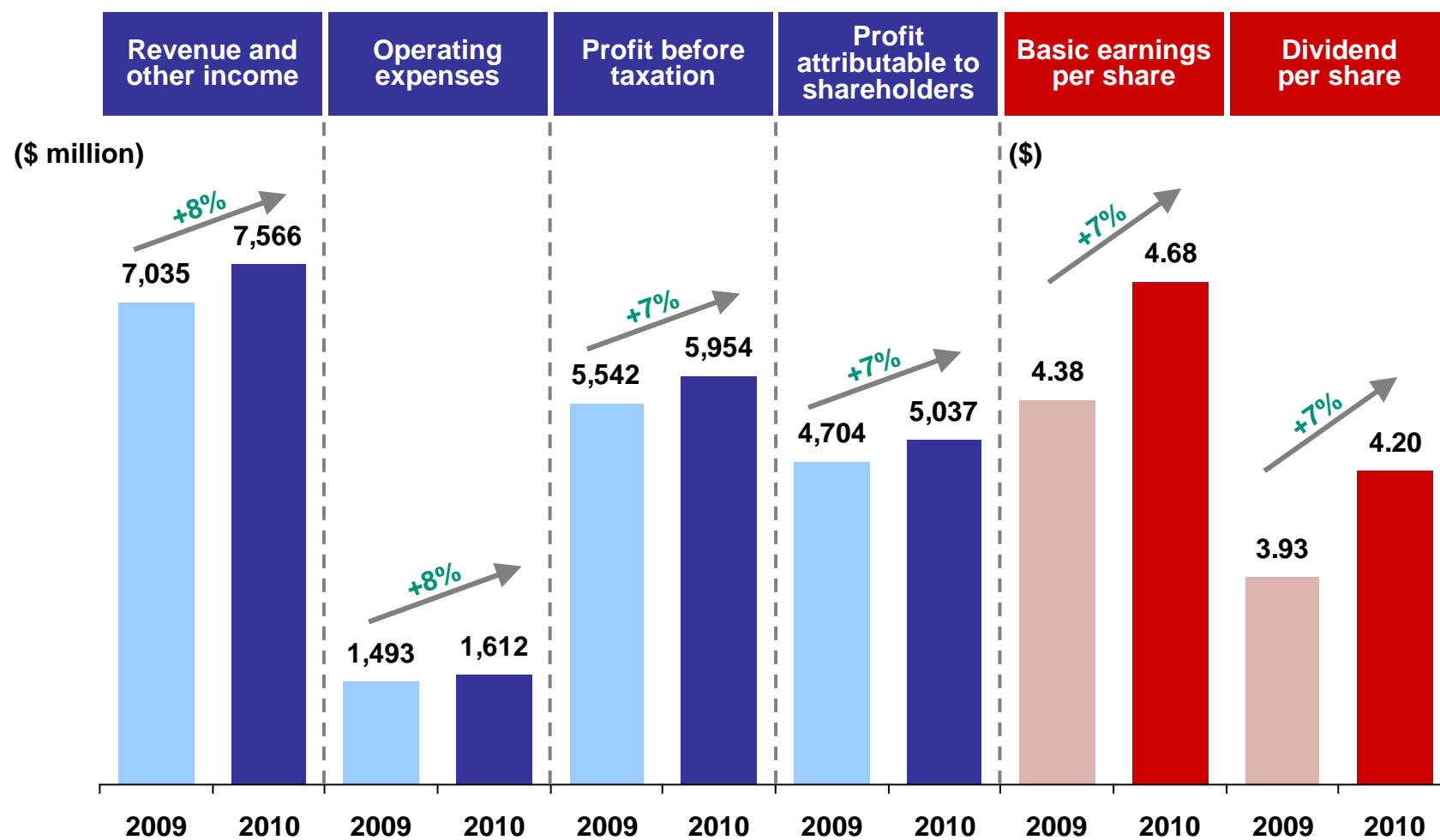
IPOs – Globally #1 for 2nd year in a row

Record high for both IPOs and Total Funds Raised

Securities Market – ADT up 11% Y-o-Y plus record volume in terms of shares

Derivatives Market – Turnover reached all time high

2010 Annual Results

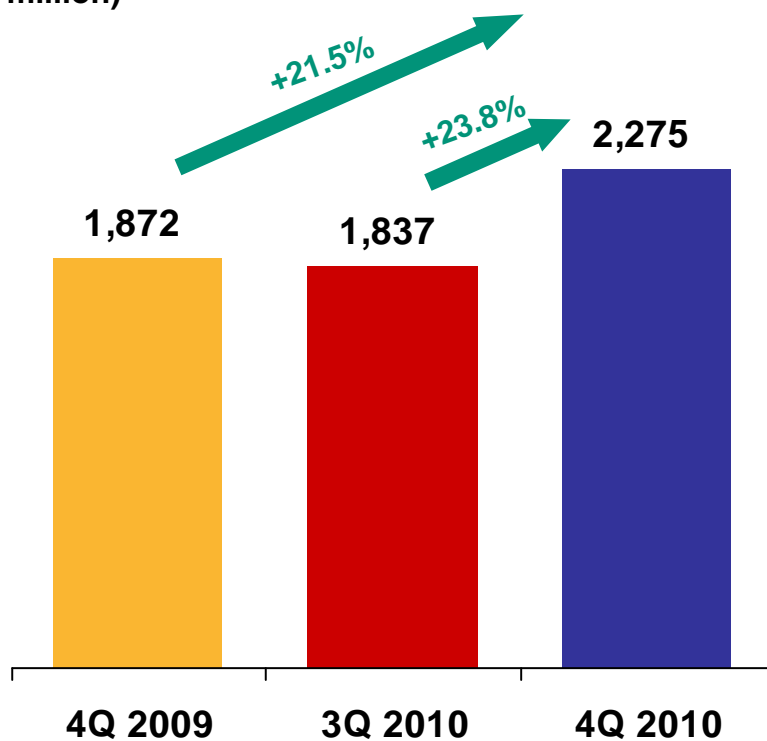


4Q 2010 – Strong Results Driven By Trading Flow and Robust IPO Market



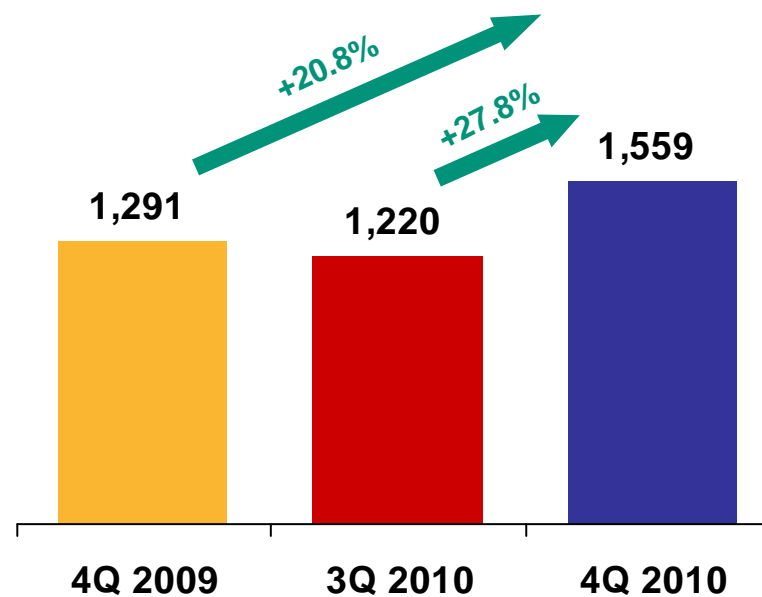
Revenue and Other Income

(\$ million)



Profit Attributable to Shareholders

(\$ million)



Agenda

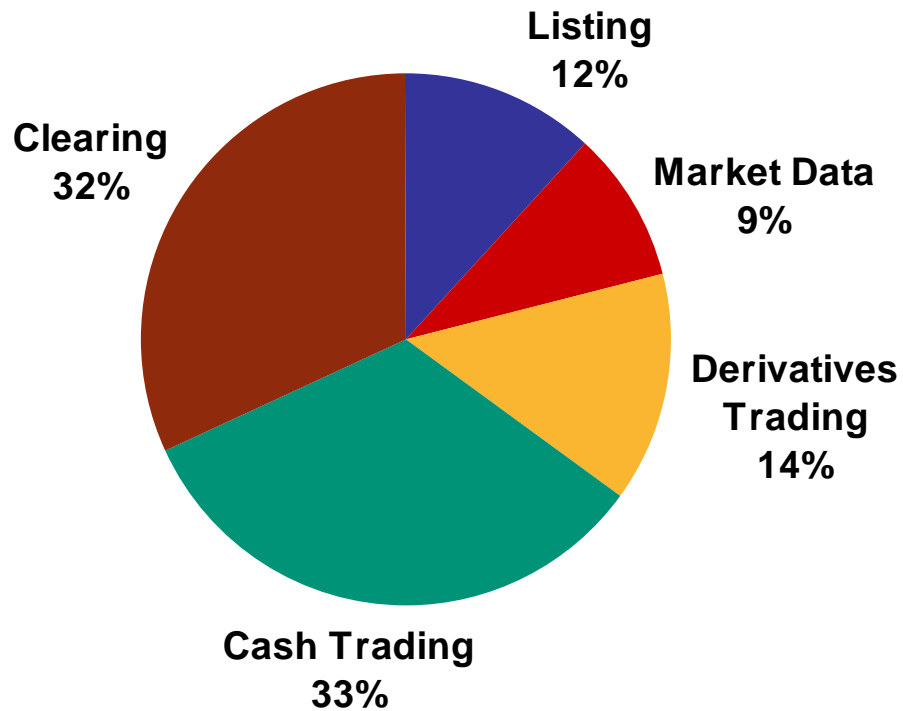


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2010 Business Overview



Revenue Contribution by Business Segments¹



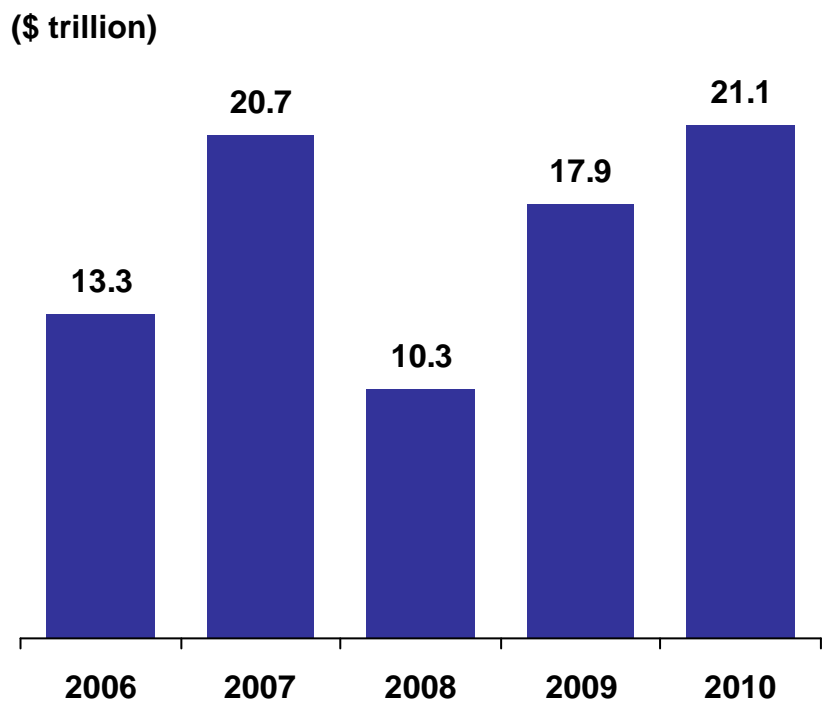
Vertically integrated model with diverse and stable sources of revenue

Note 1: Comprises income from external customers and net investment income

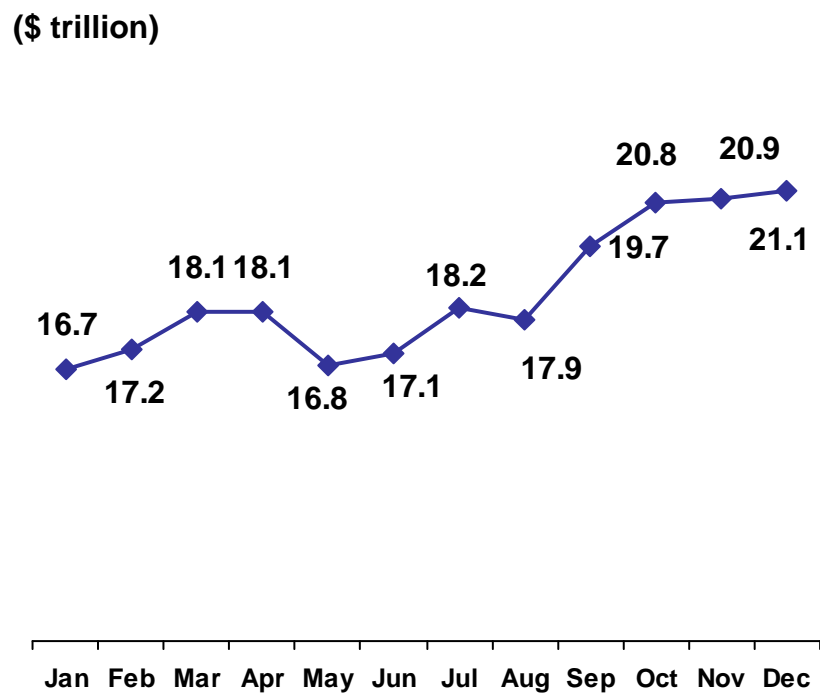
Market Capitalisation of Listed Companies



Last Five Years Market Capitalisation (As of Year End)



2010 Market Capitalisation (At Month End)

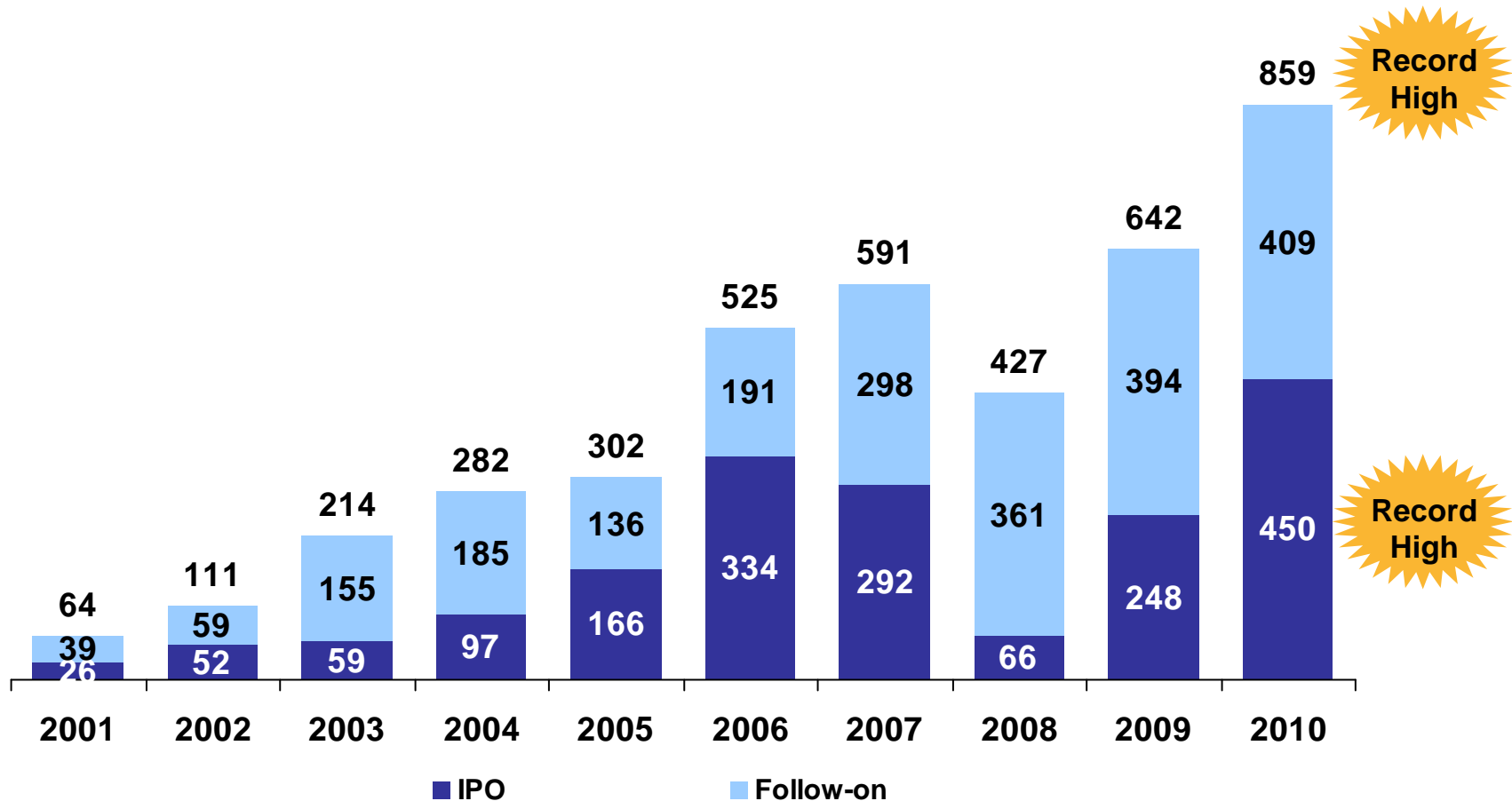


Market capitalisation rose 18% in 2010, due to continued strong market performance and record new issuance

Total Funds Raised and IPOs Reached Record High



(\$ billion)

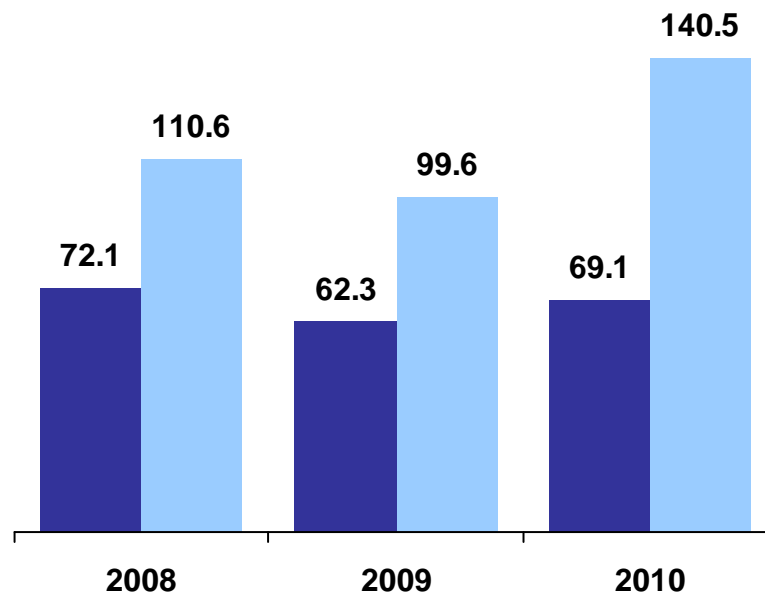


Securities Market Trading



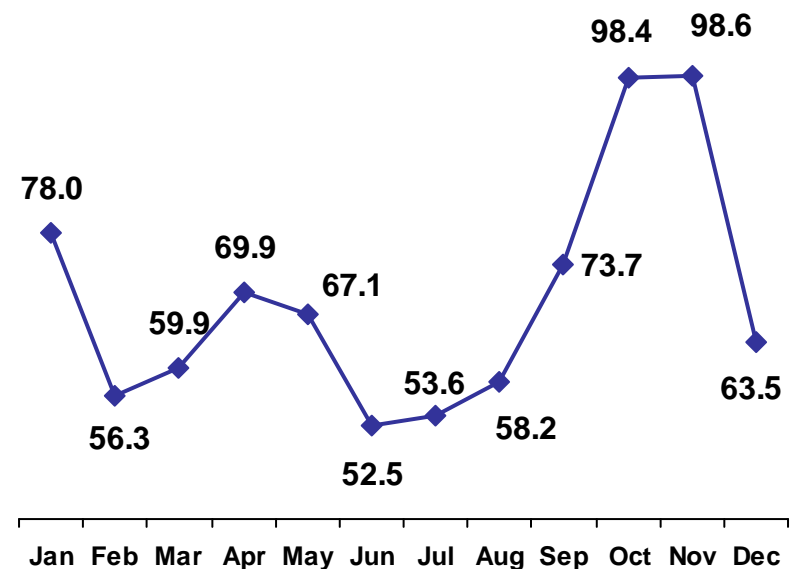
2008-2010 Average Daily Turnover

■ ADT in \$ billion ■ ADT in billion shares



2010 Monthly Average Daily Turnover

(In \$ billion)



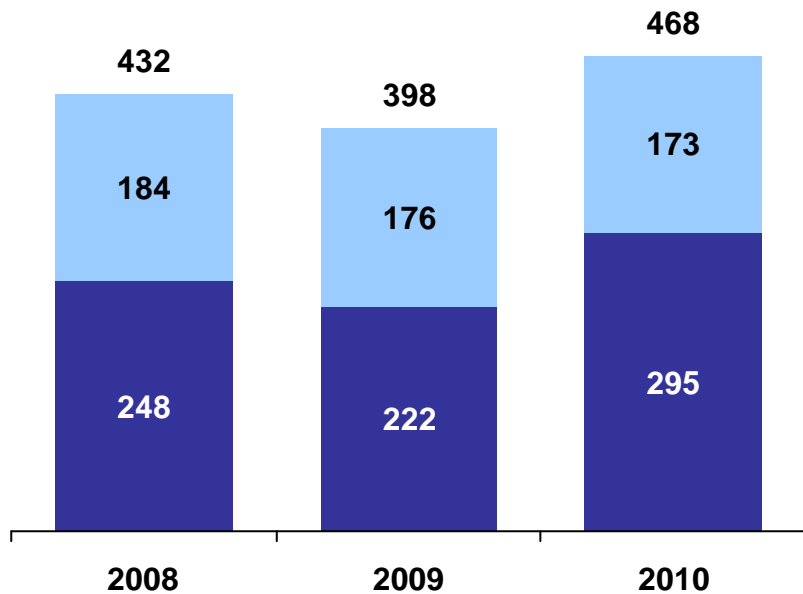
ADT value increased by 11% yoy, driven by the significant increase in liquidity during Sep-Nov

Derivatives Market Trading



2008-2010 Average Daily Volume

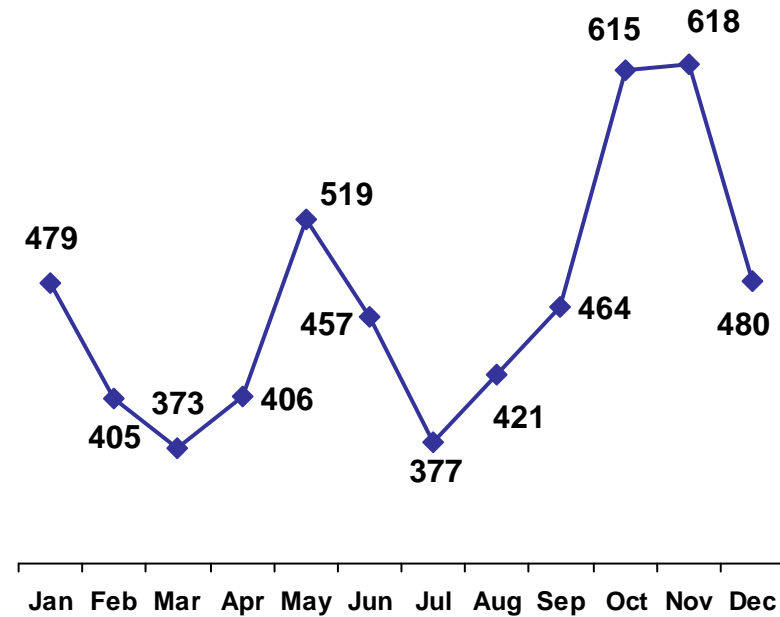
(In '000 contracts)



■ Options contracts traded ■ Futures contracts traded

2010 Monthly Average Daily Volume

(In '000 contracts)



Derivatives market turnover reached all-time high in 2010

Agenda



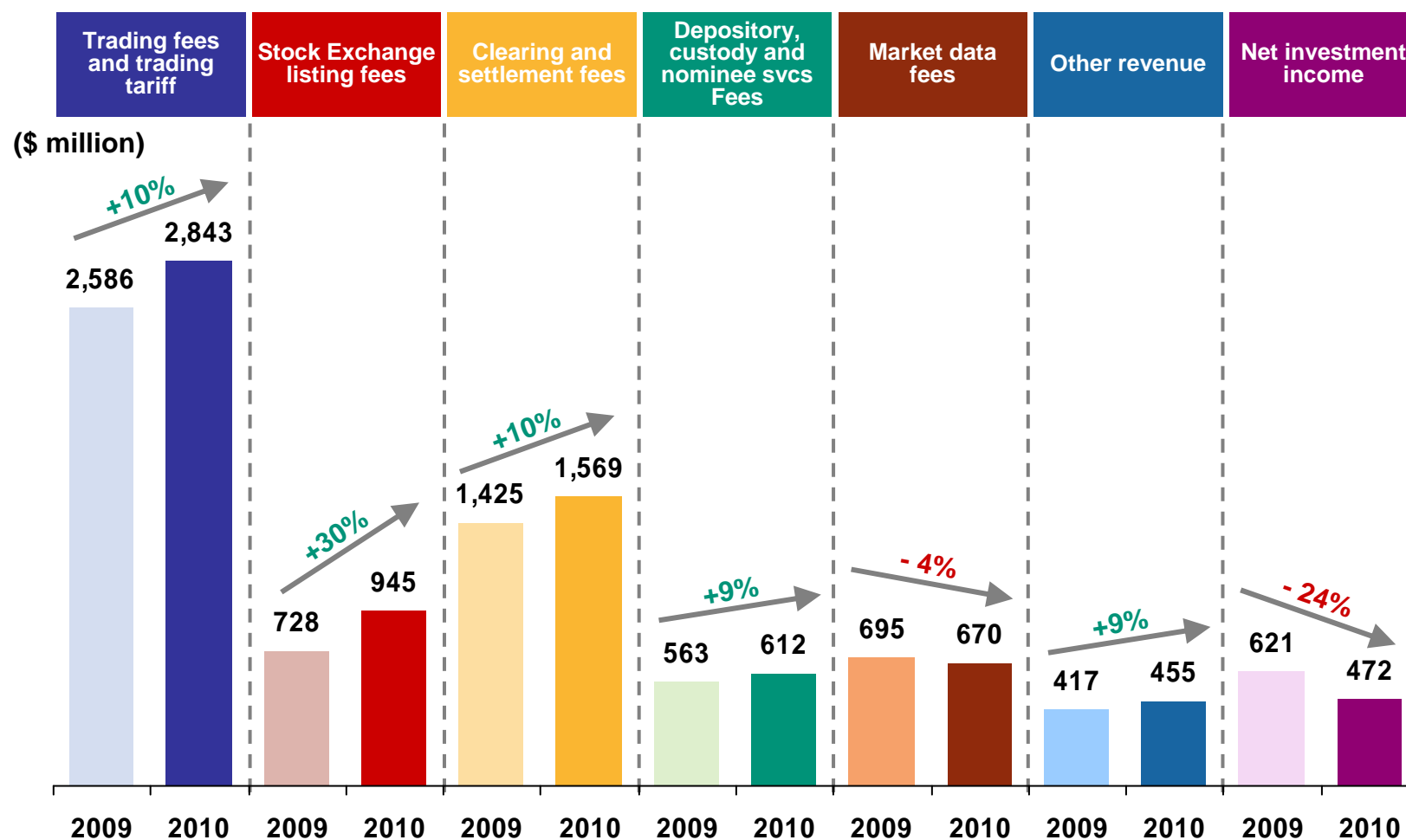
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Financial Highlights

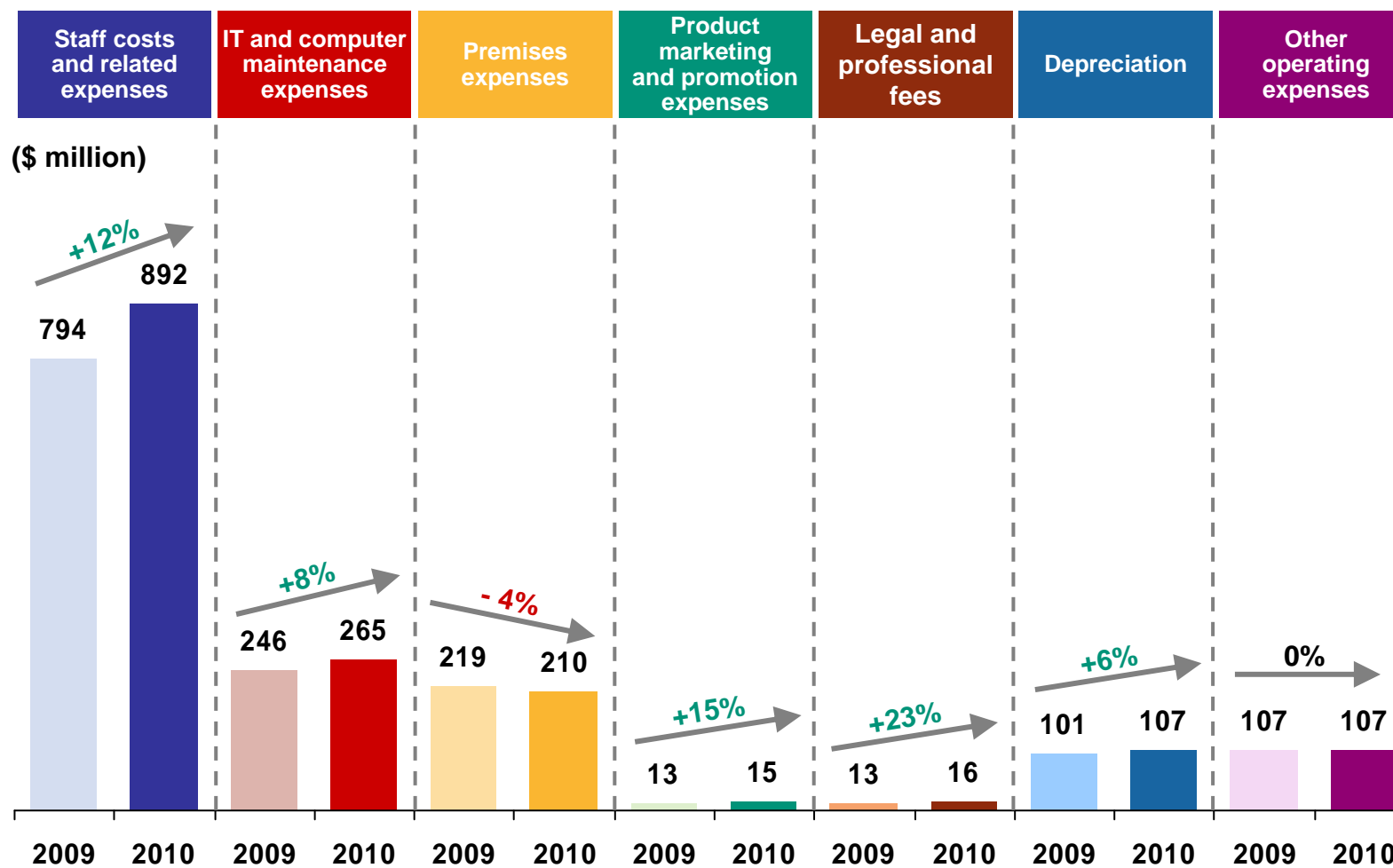


<i>(\$ million, except per share data)</i>	2010	% of revenue & other income	2009	% of revenue & other income	YoY Change
Results					
Revenue and other income	7,566	100%	7,035	100%	+8%
Operating expenses	(1,612)	(21%)	(1,493)	(21%)	+8%
Profit before taxation	5,954	79%	5,542	79%	+7%
Taxation	(917)	(12%)	(838)	(12%)	+9%
Profit attributable to shareholders	5,037	67%	4,704	67%	+7%
Basic earnings per share	\$4.68		\$4.38		+7%
Diluted earnings per share	\$4.67		\$4.36		+7%
Interim dividend per share	\$1.89		\$1.84		+3%
Final dividend per share	\$2.31		\$2.09		+11%
Total dividend per share	\$4.20		\$3.93		+7%
Dividend payout ratio	90%		90%		

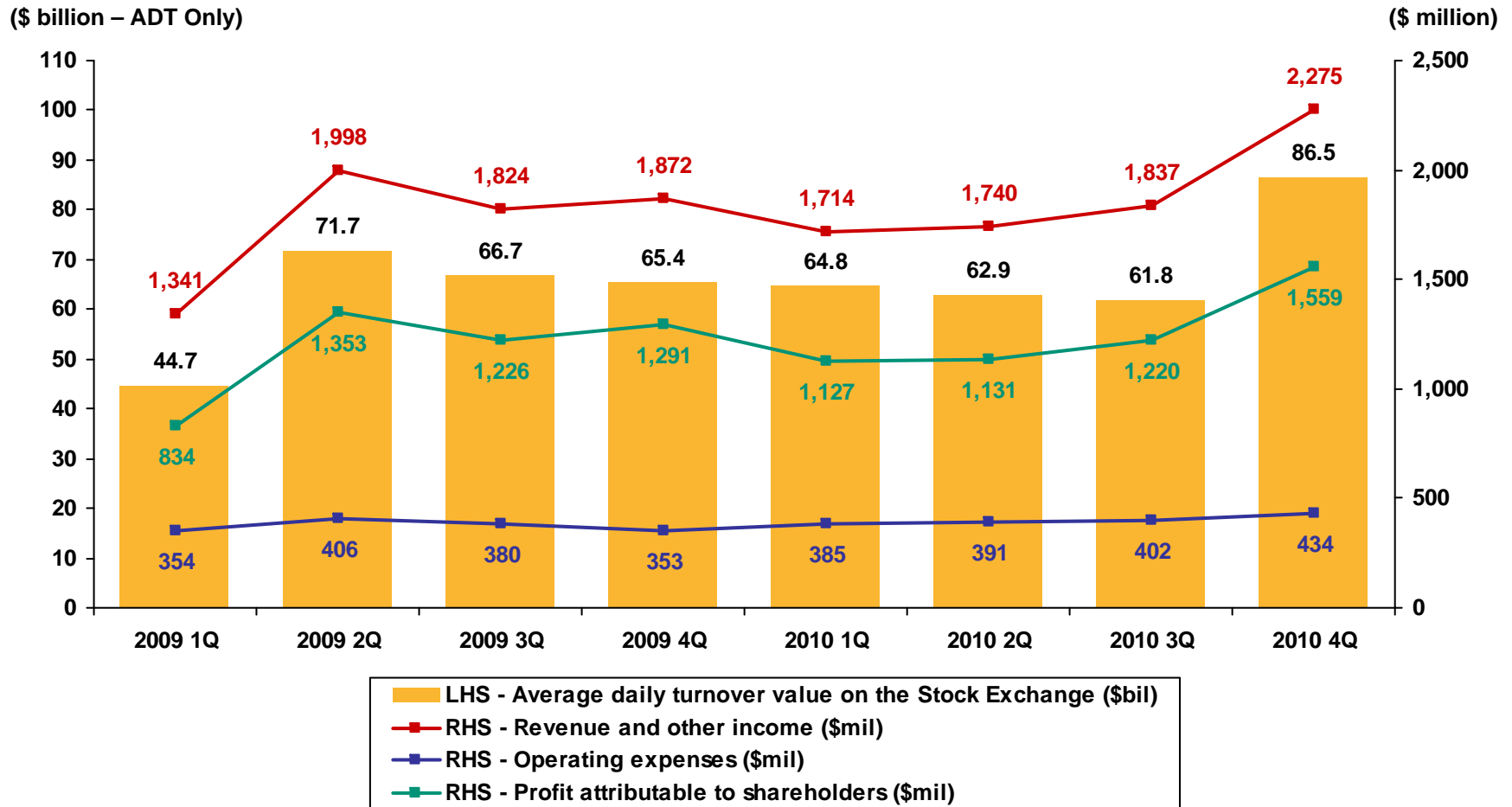
Breakdown of Revenue and Other Income



Breakdown of Operating Expenses



Results by Quarter

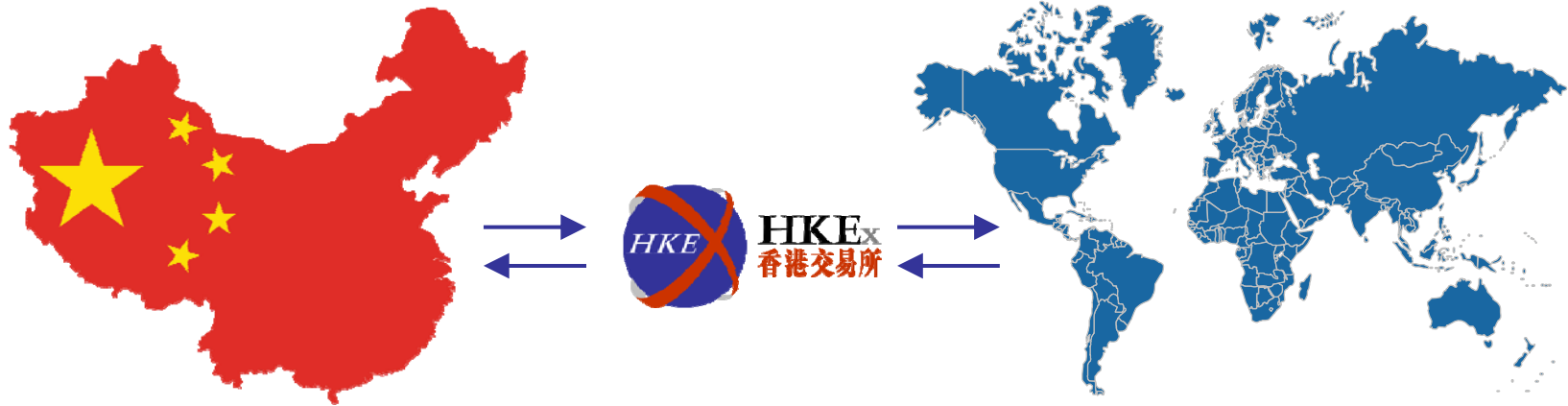


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HKEx's Strategic Vision



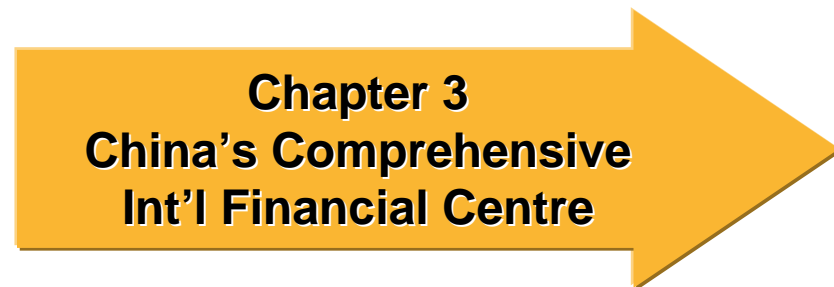
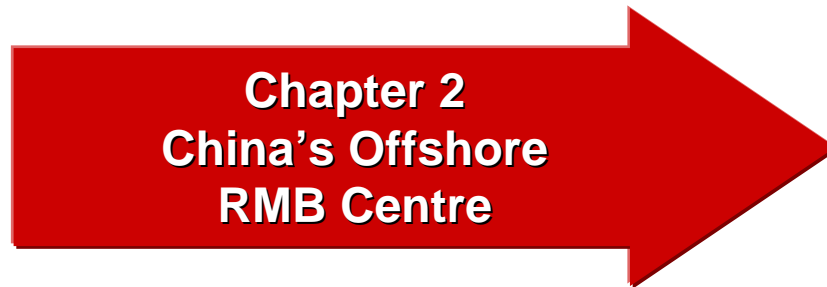
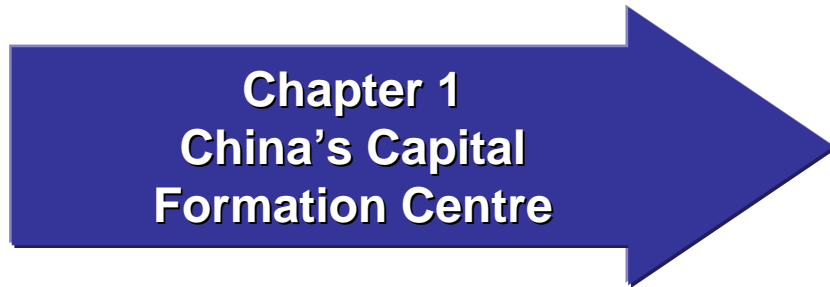
The International Exchange of Choice for China Clients to Achieve Their Global Aspiration

The China Exchange of Choice for International Clients to Achieve Their China Aspiration

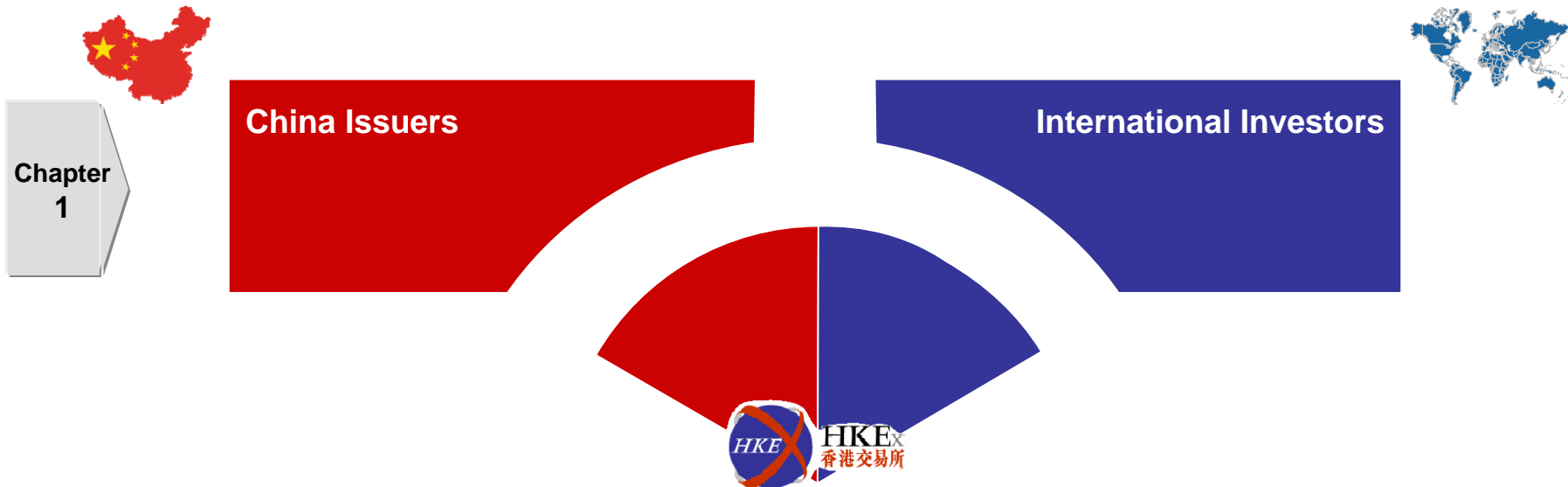


Our mission is to deliver on that vision

HKEx's China and International Strategy



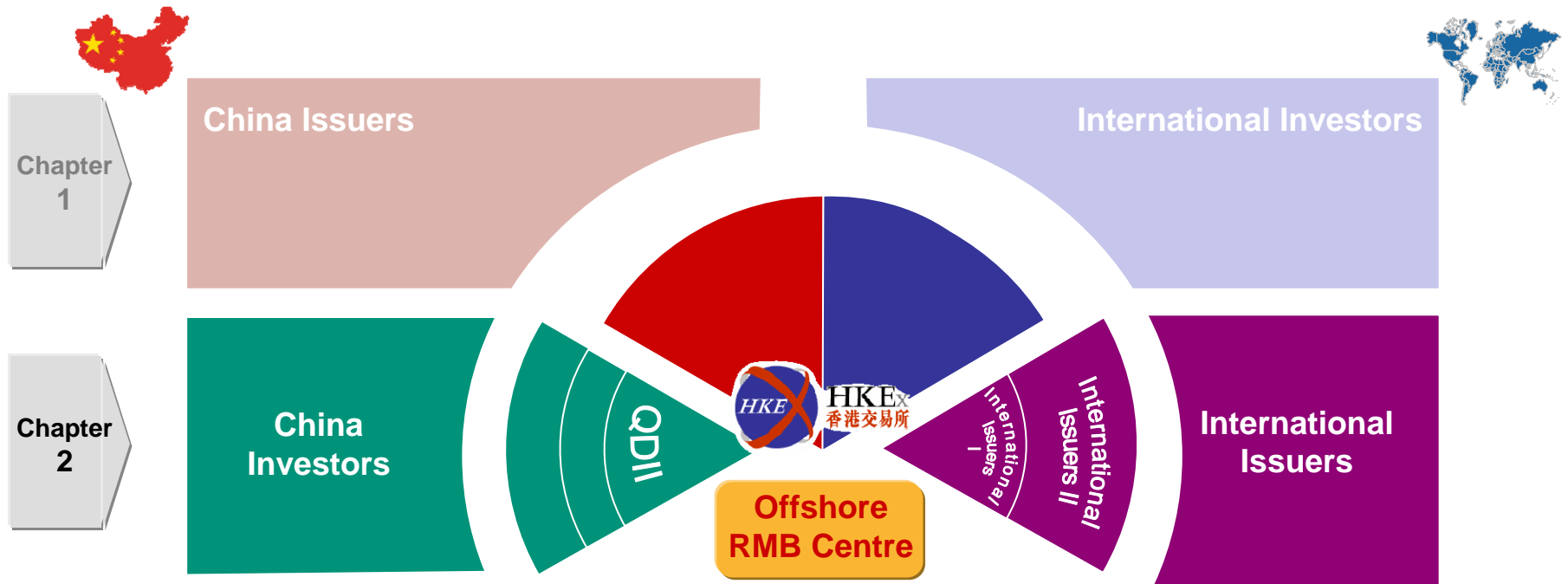
Chapter 1 – China’s Capital Formation Centre



Chapter
1

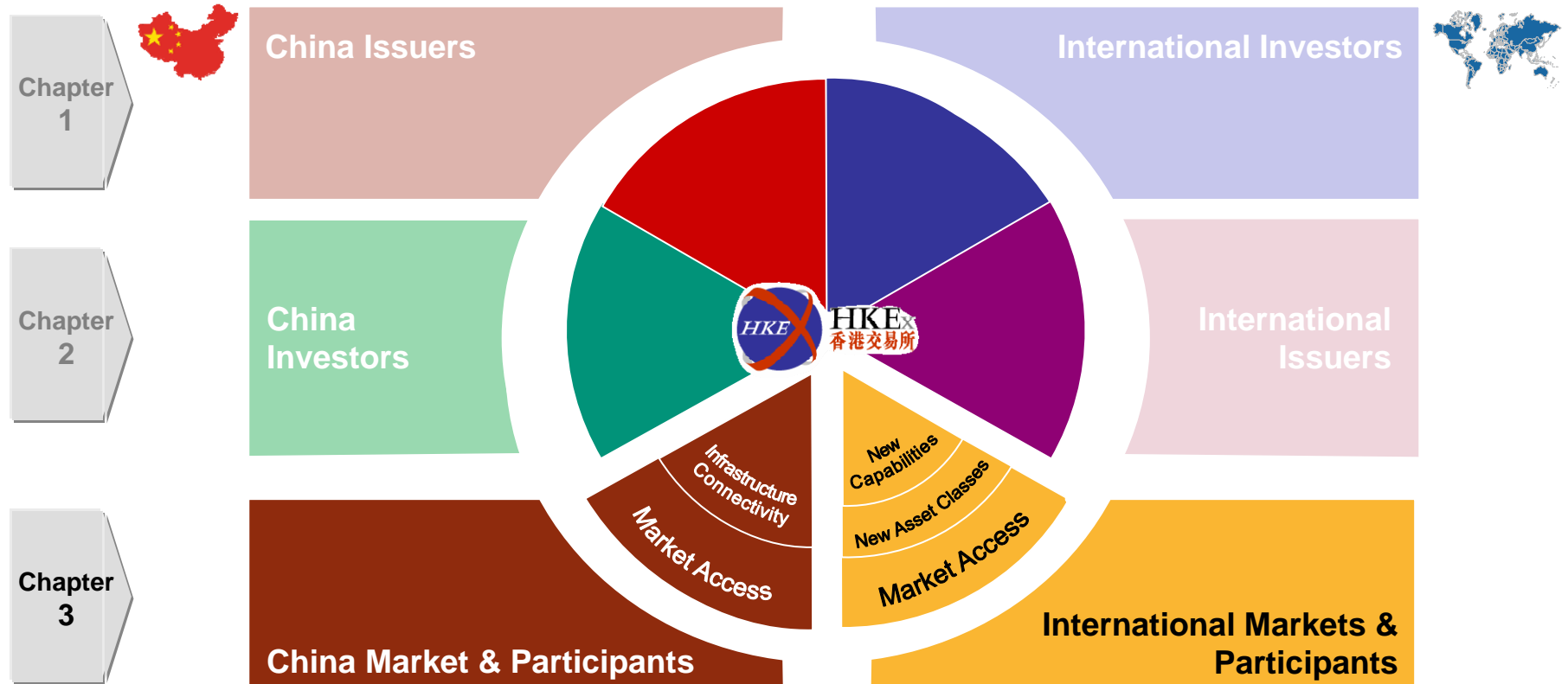
HK / HKEx Value Proposition	Products & Services	HKEx Capability
<ul style="list-style-type: none"> ■ China’s offshore capital formation centre ■ International investors’ platform to access China 	<ul style="list-style-type: none"> ■ HK\$ equities ■ HK\$ structured products ■ HK\$ equity derivatives 	<ul style="list-style-type: none"> ■ Strong

Chapter 2 – China’s Offshore RMB Centre



HK / HKEx Value Proposition	Products & Services	HKEx Capability
<ul style="list-style-type: none"> ■ Offshore RMB centre ■ Test ground for RMB internationalisation ■ Access to international listings for China investors 	<ul style="list-style-type: none"> ■ International listings ■ RMB equity ■ RMB bonds ■ Listed RMB Structured Products 	<ul style="list-style-type: none"> ■ Developing ■ Requires continued policy support

Chapter 3 – China’s Comprehensive International Financial Centre



HK / HKEx Value Proposition

- Leverage unique access to both sides

Products & Services

- OTC clearing
- New asset classes
- Financial and commodities derivatives

HKEx Capability

- Needs to be developed

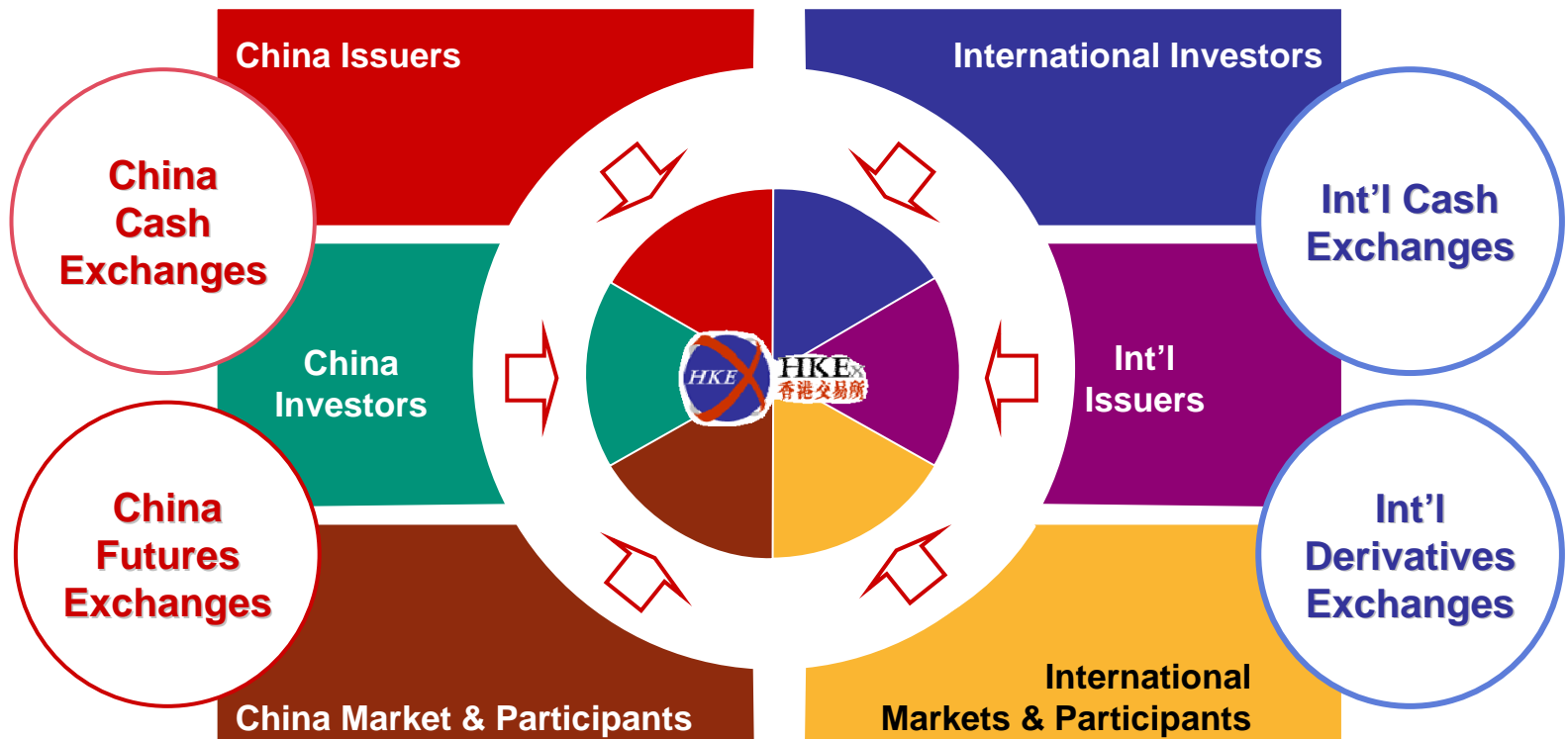
Key Theme: Enhance Competence and Maximize the Unique Opportunity



CHAPTER 1

CHAPTER 2

CHAPTER 3



HKEx Strategic Plan 2010-2012

Building Blocks For the Future



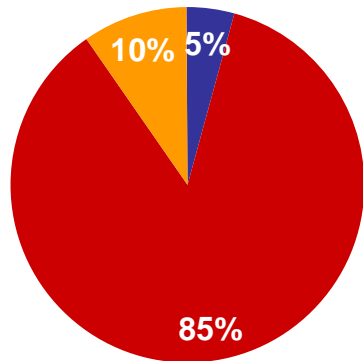
However, the transition is not without risks and challenges

Hong Kong is Transforming to Become a Global Listing Venue



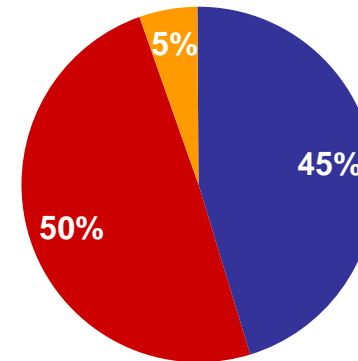
China's Offshore Listing Venue

2007 IPO Funds Raised: HK\$292bn



Global Listing Venue

2010 IPO Funds Raised: HK\$450bn



- Mainland Enterprises
- International Listing
- Hong Kong

2005-07 Landmark IPOs

 中国工商银行 ICBC US\$16.0bn	 中国银行 BANK OF CHINA US\$11.1bn	 中国建设银行 China Construction Bank US\$9.2bn
 中信银行 CHINA CITIC BANK US\$4.2bn	 中国神华 CHINA SHENHUA US\$3.3bn	 China Railway Group US\$2.8bn

2009-10 Landmark IPOs

 AIA US\$20.4bn US	 中国农业银行 AGRICULTURAL BANK OF CHINA US\$12.0bn China	 中国民生银行 CHINA MINSHENGBANKING CORP., LTD. US\$4.0bn China
 Sands 金沙 US\$2.5bn US	 RUSAL US\$2.2bn Russia	 L'OCCITANE EN PROVENCE US\$783mil France

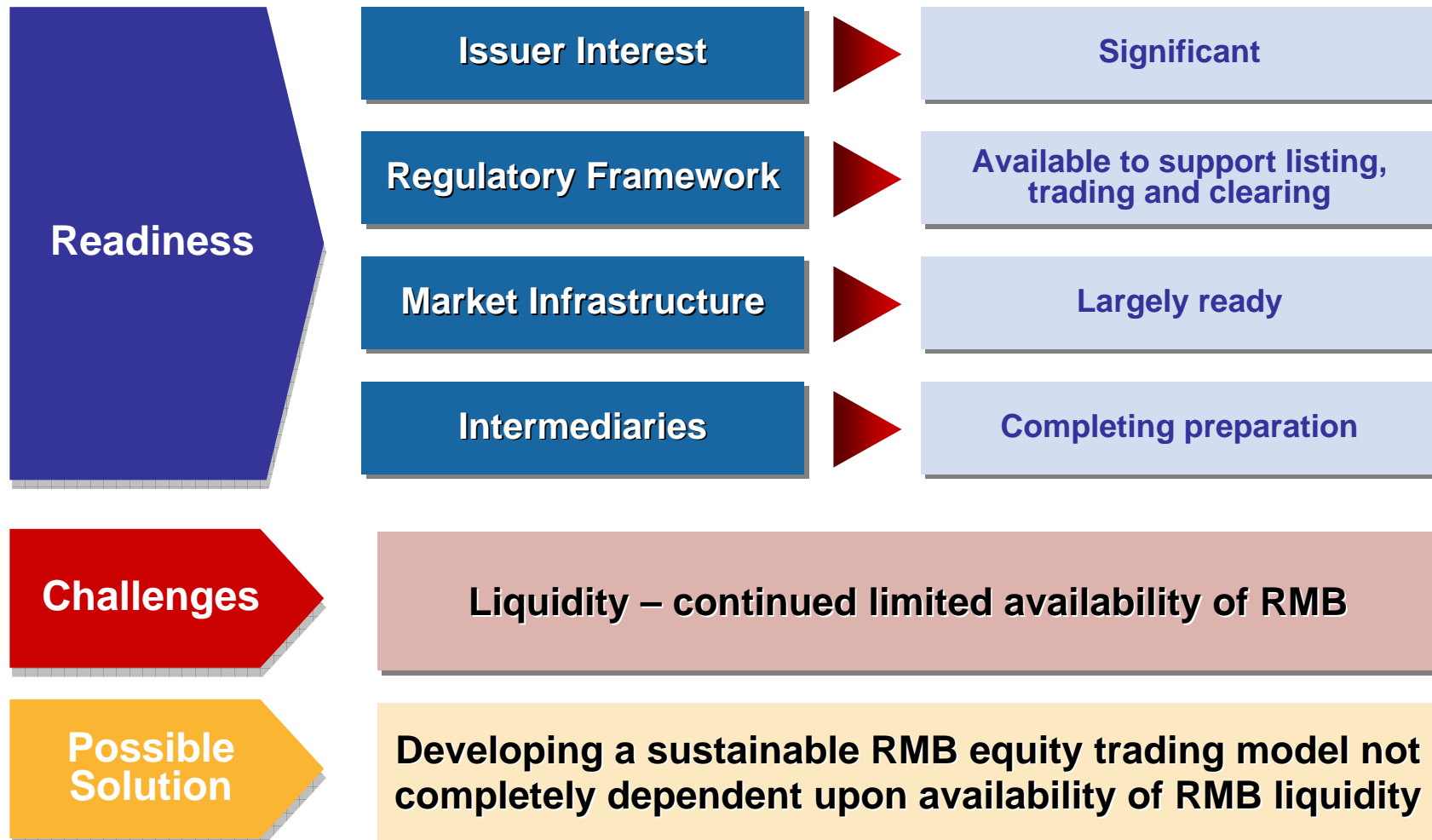
Note: The above issuers are all Mainland Enterprises

RMB Opportunities for HKEx

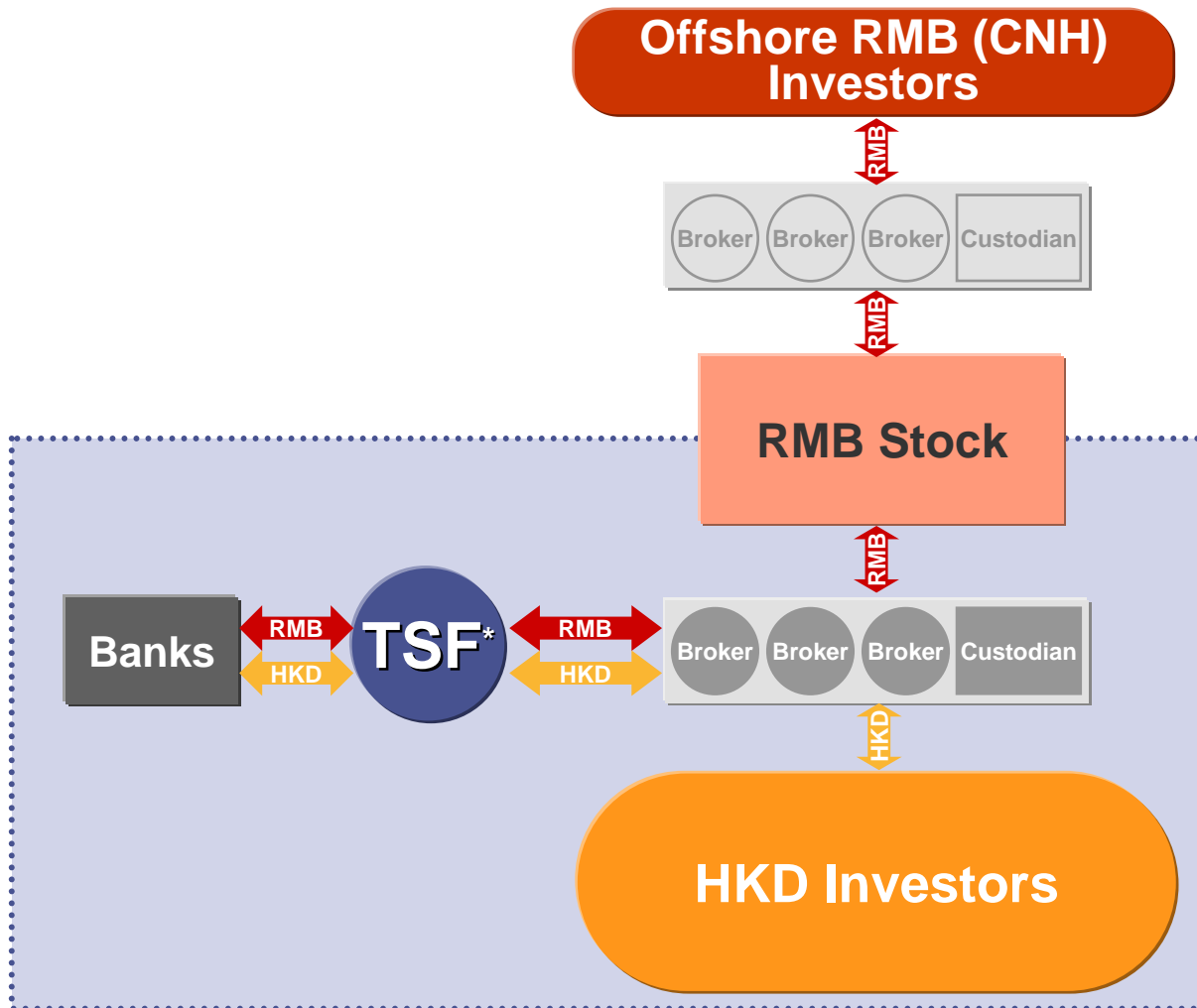


	Banking	Listed	OTC Derivatives
Products	<ul style="list-style-type: none"> ■ Certificates of Deposit ■ Bonds ■ Insurance 	<ul style="list-style-type: none"> ■ RMB Bonds ■ REITs ■ NDF ■ RMB Equity and Equity-linked 	<ul style="list-style-type: none"> ■ NDF ■ IRS ■ Equity Derivatives ■ Commodities ■ CDS
Timing	Now	Beginning	Developing
Opportunity for HKEx	✗	✓ <ul style="list-style-type: none"> ■ Listing ■ Trading ■ Clearing 	✓ <ul style="list-style-type: none"> ■ OTC Clearing

Are we ready for RMB Equity?



RMB Equity Trading Support Facility



Key Features

Back-up

Re-cycle

Open to all brokers but optional

Committed in size, but commercially-priced

* Subject to regulatory approval

Improve Platform Infrastructure and Market Structure



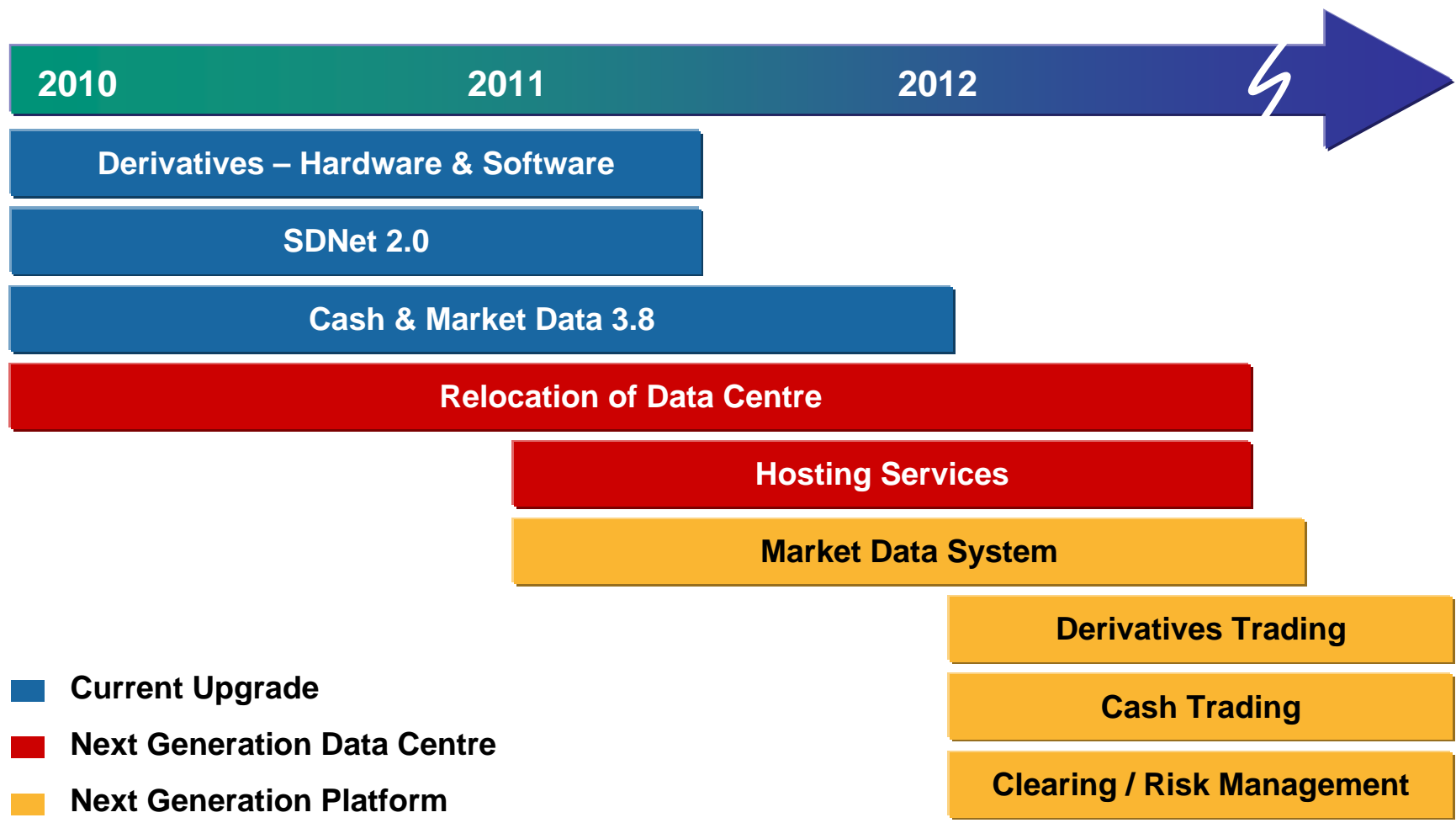
1. Invest in IT Infrastructure

2. Strengthen and Extend Clearing Franchise

3. Improve Market Structure

1. Invest in IT Infrastructure

A complex undertaking and generational shift



- Current Upgrade
- Next Generation Data Centre
- Next Generation Platform

2. Strengthen and Extend Clearing Franchise



Risk Management Measures Review

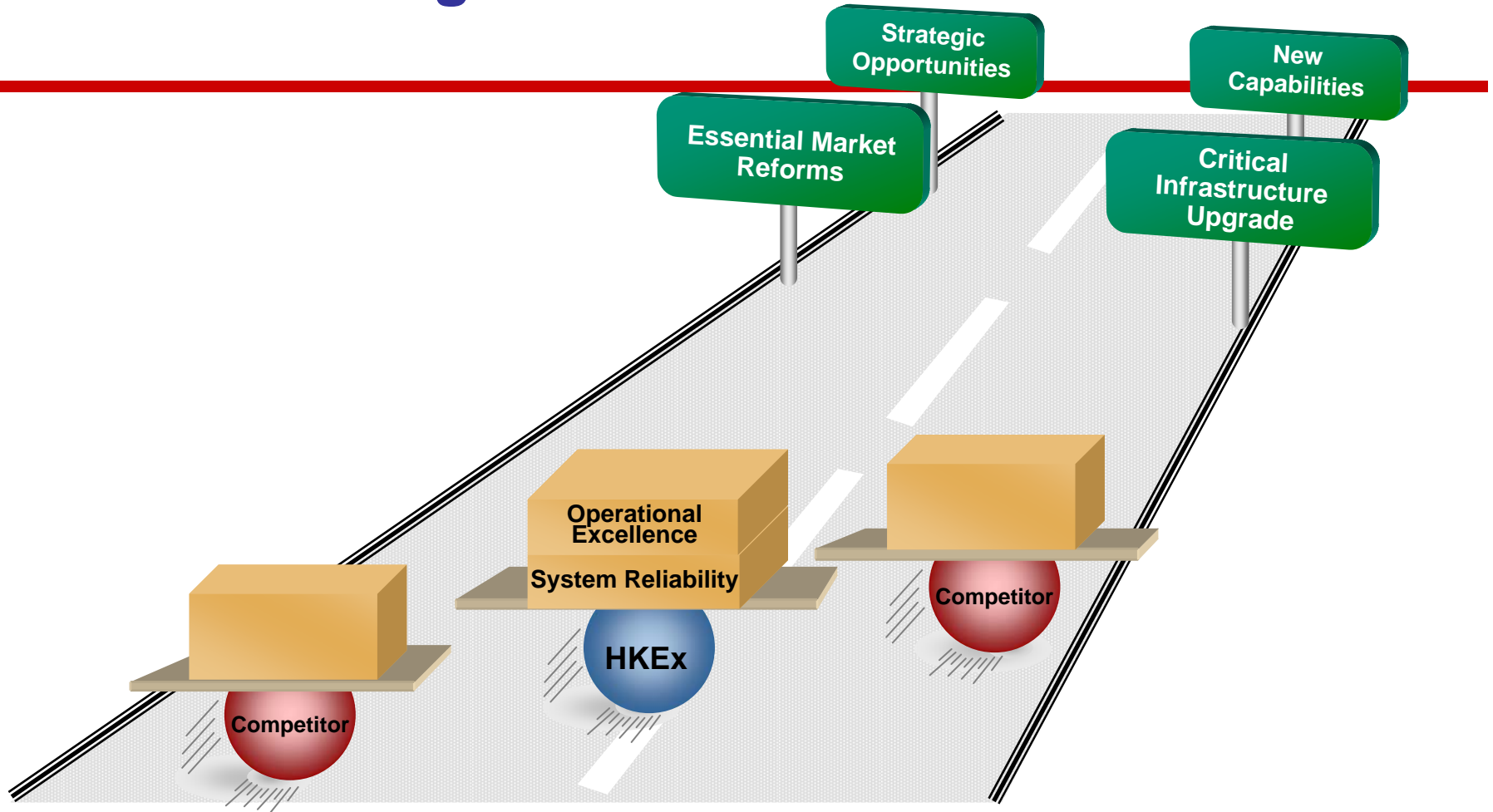
OTC Clearing

Unify Three Clearing Houses

3. Improve Market Structure



Are We Moving Too Fast or Not Fast Enough?



- *No option is risk-free or cost-free*
- *Only time will tell*

Thank You

HKEX Website: www.hkex.com.hk
HKExnews Website: www.hkexnews.hk

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Appendix

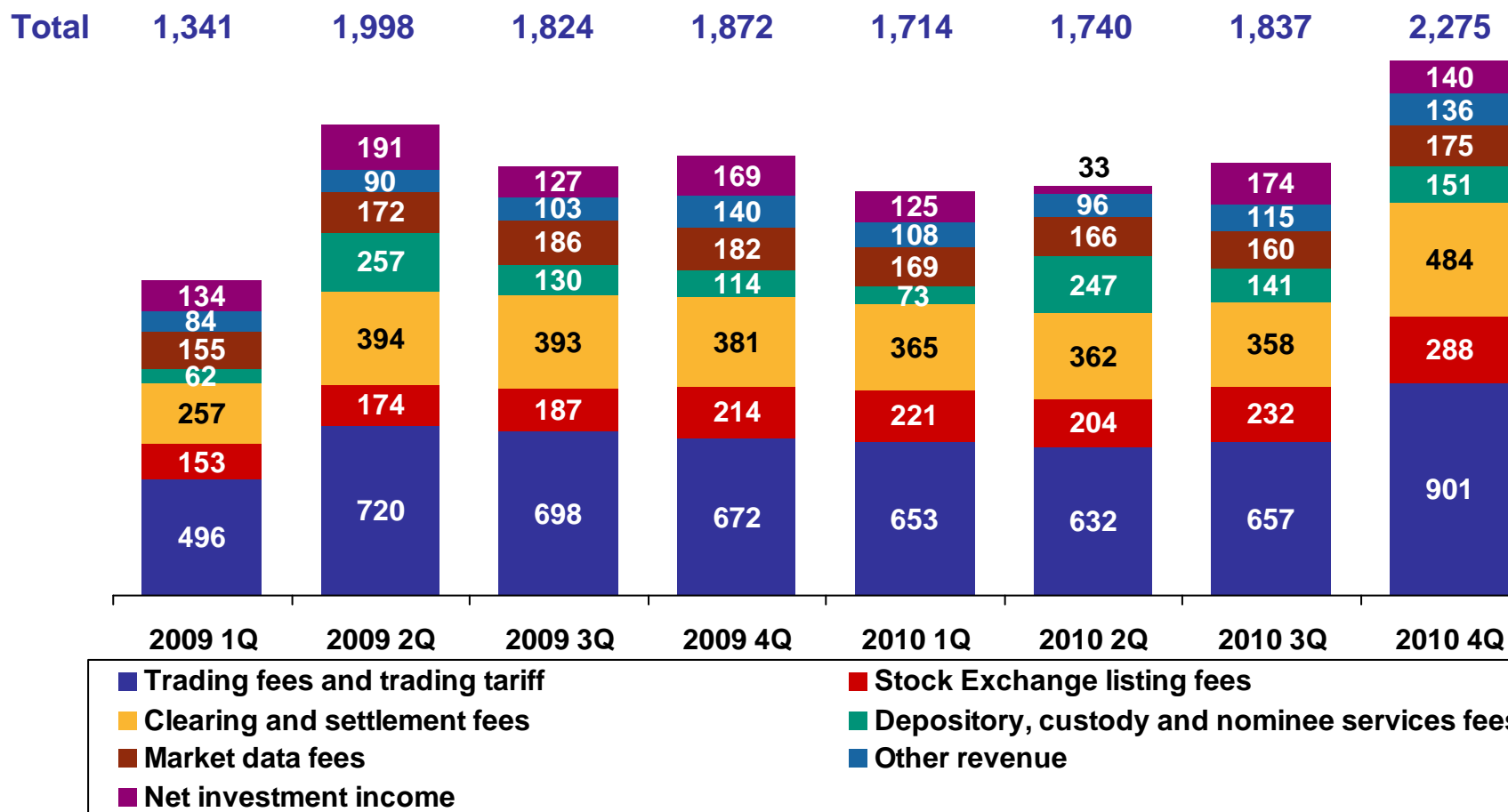
A. Additional Financial Information

B. Strategic Initiatives

Quarterly Trend – Revenue and Other Income



(\$ million)

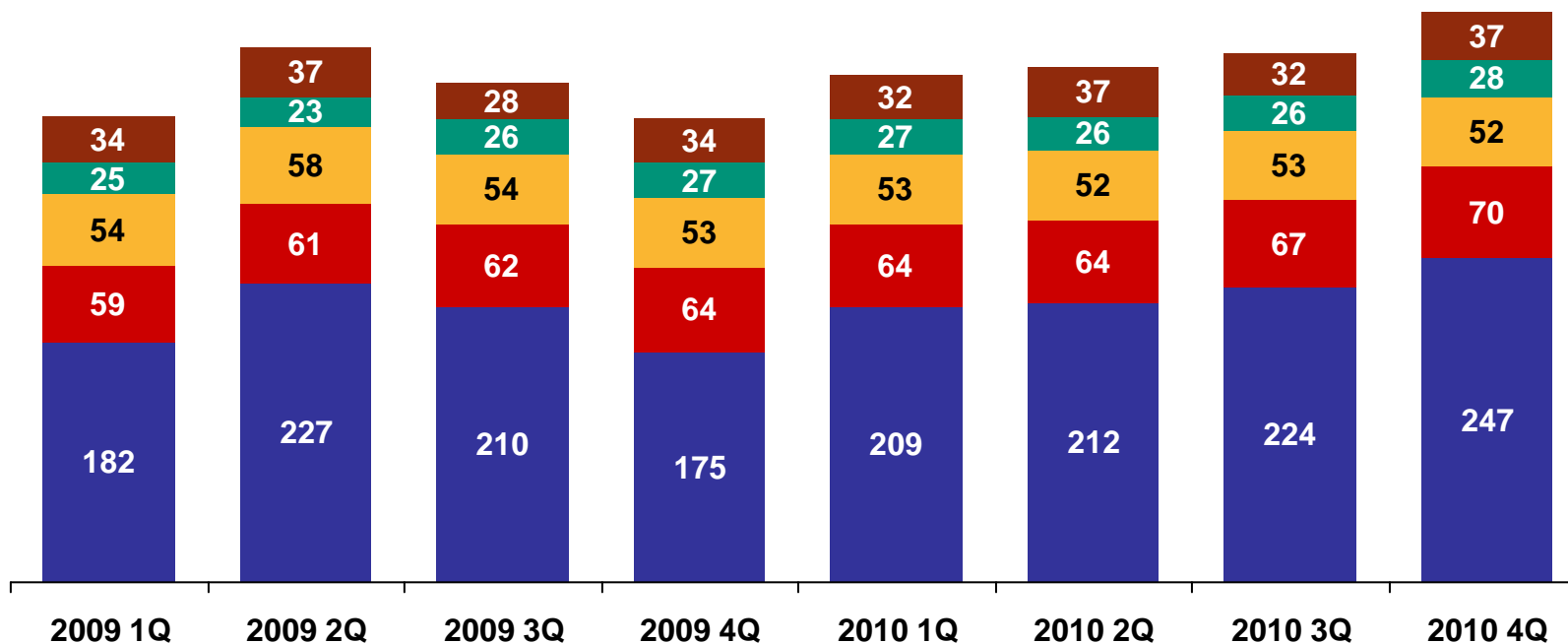


Quarterly Trend – Operating Expenses



(\$ million)

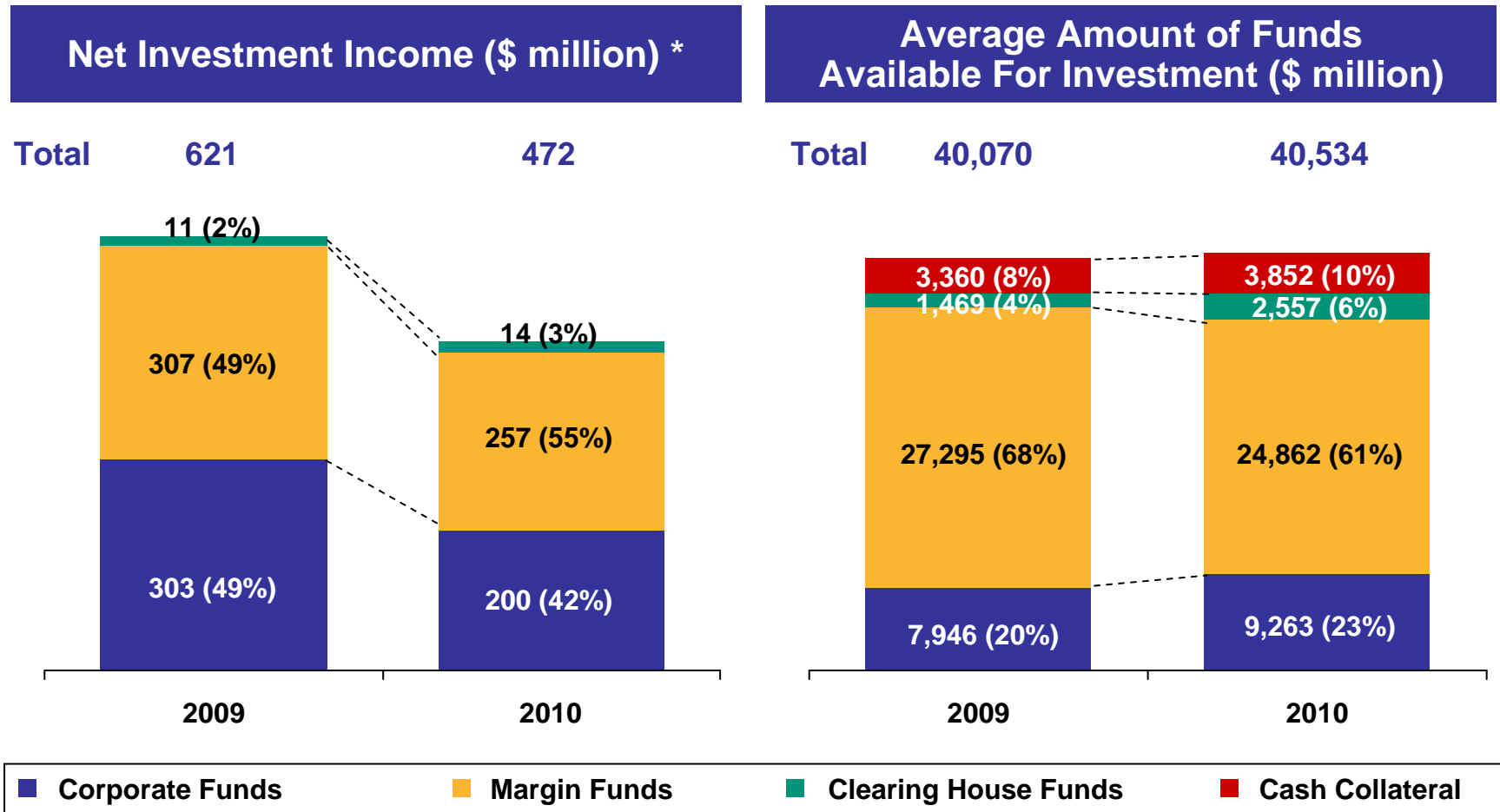
Total 354 406 380 353 385 391 402 434



■ Staff costs and related expenses ■ IT and computer maintenance expenses
■ Premises expenses ■ Depreciation
■ Other costs*

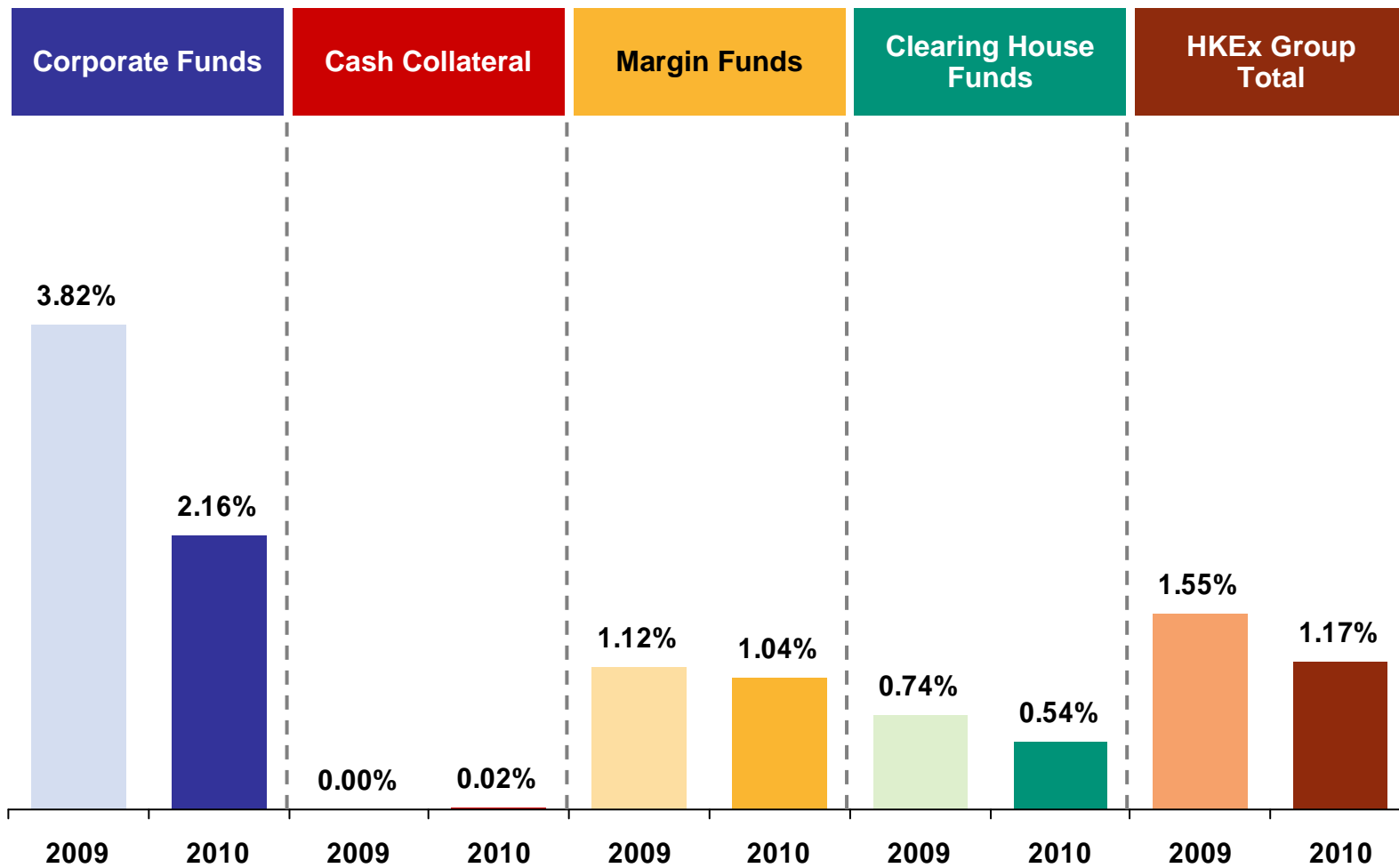
* Other costs include product marketing and promotion expenses, legal and professional fees and other operating expenses.

Net Investment Income by Fund



* Net Investment Income from Cash Collateral amounted to \$1 million (0%) and nil for 2010 and 2009 respectively.

Net Investment Return by Fund



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Appendix

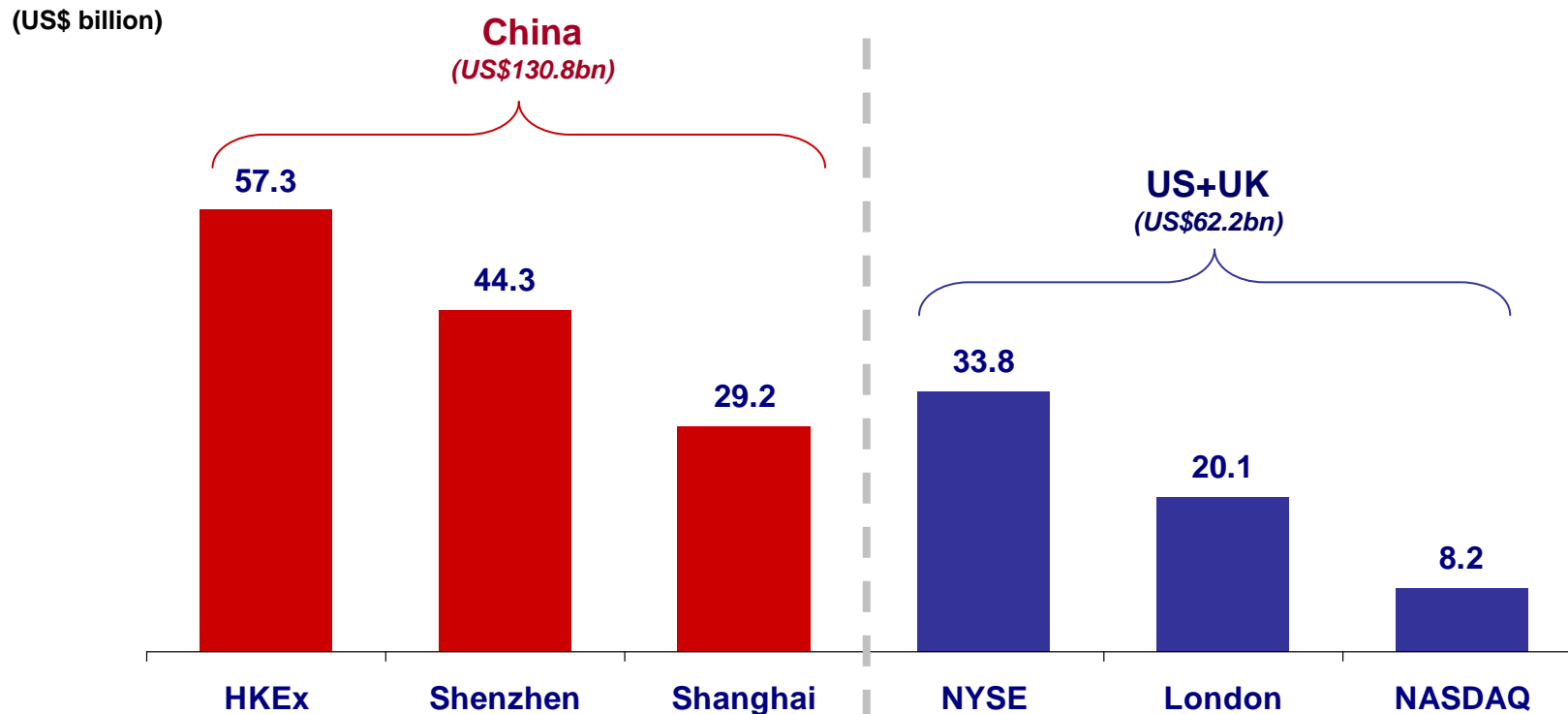
A. Additional Financial Information

B. Strategic Initiatives

Hong Kong and Mainland Dominate Global IPOs



IPO Funds Raised (2010)



Source: WFE statistics

The aggregate IPO funds raised in Shenzhen, Shanghai and HK is more than twice the size of NYSE, NASDAQ and LSE combined in 2010

International Listings – Key Drivers



China / Asia Nexus

Alignment of Issuers' Growth Drivers and Shareholders

Key Sectors – Natural Resources and Branded Consumer

Spin-offs of Chinese / Asian Subsidiaries

Growing Regional Investor Base

Transparent and Efficient Listing Regime

Key Listing Division Initiatives



Streamlining Listing Requirements (As of 31 Dec 2010)

Consultation Concluded

- Acceptance of Mainland accounting and auditing standards and Mainland audit firms
- Connected Transaction Rules
- Mixed Media Offer
- Circular and listing document requirements

Preparing for Consultation Conclusion

- Qualified property acquisitions and formation of JVs
- Minimum number of shareholders for the Market Capitalisation / Revenue Test

In Consultation

- Listing debt issues to Professional Investors only
- Code on Corporate Governance Practices and associated Listing Rules
- Ex-entitlement trading
- Property valuation requirements

Recognition of New Jurisdictions in 2010



Brazil



Italy



Isle of Man



Japan



US - California

HKEx RMB Strategy

RMB
Capability

Lobby for Policy Change

Set Up RMB Infrastructure

Expand Mainland Market Data

Develop RMB Products

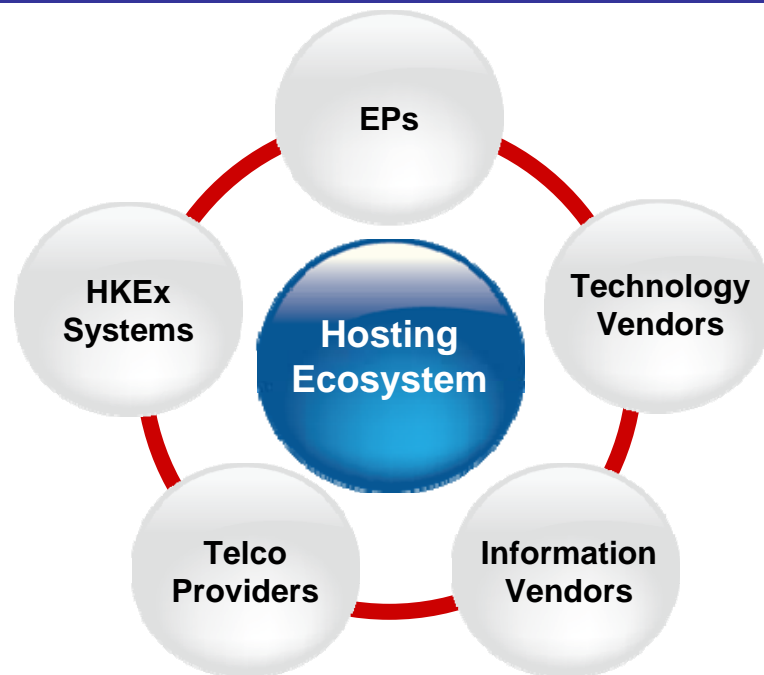
Facilitate Mainland Connectivity

Pursue OTC Clearing

Hosting Services – Building an Ecosystem

Platform
& Market
Structure

Ecosystem Members



Ecosystem Offering

- Tier 4 data centre provisioning by HKEx
- Low latency Co-location with HKEx markets
- Low-latency HKEx market data provided by HKEx and hosted IVs
- International market data feeds
- Infrastructure and software provisioning by hosted technology vendors
- Telco-neutral connectivity to global markets

Key Drivers

- ***Strong market demand for value-added hosting services***
- ***In line with the latest global exchange industry trends***
- ***Dedicated Greater China connectivity***

Risk Management Measures of Clearing Houses

Platform
& Market
Structure

WHY

- Clearing Houses need to be better funded, especially HKSCC
- Comply with international standards
- Solution needs to be scalable over time

HOW

- Adopt appropriate Stress Testing standard
- Reform existing regimes on margins and collaterals
- Adopt appropriate model for Guarantee Fund
- Ensure fairness and practicality

WHEN

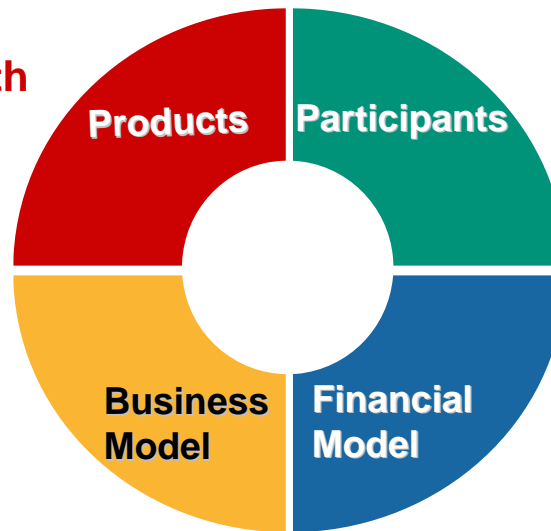
- Internal review completed
- Regulatory guidance sought
- Liquidity facility obtained
- Consultation in mid-2011

OTC Clearing – Overview



- **Current HK market size: Small**
- **Start up: IRS and NDF**
- **Future expansion: FX and equity derivatives**
- **RMB: the potential growth driver**

- **Potential participants: International banks, Mainland banks in HK and local banks**



- **Set up by HKEx**
- **Flexible shareholding structure**
- **May invite partners**

- **Initial Guarantee Fund seeded by HKEx and contribution by participants**

Joint Announcement with HKMA in Dec 2010; Target to launch in 2012