

2009 Interim Results Announcement

Staying Competitive Amid Change

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and
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12 August 2009

Agenda

- ❖ **Overview**
- ❖ **Financial Overview**
- ❖ **Business Overview**
- ❖ **HKEx's Mission and Main Strategic Focuses**

Overview

- ❖ **\$14.1 trillion market capitalisation as of 30 Jun 2009**
 - Down 14% YoY
 - Up 37% from end of 2008
- ❖ **\$217.4 billion total funds raised in 2009 H1**
 - Up 78% YoY
- ❖ **\$58.3 billion average daily cash market turnover in 2009 H1**
 - Down 33% YoY
 - Up 2% compared to 2008 H2
- ❖ **An average of 419,714 options & futures contracts traded daily in 2009 H1**
 - Down 2% YoY
 - Total turnover in 2009 Q2 increased by 17% over 2009 Q1
- ❖ **\$2.2 billion after tax profit**
 - Down 26% YoY
 - Profit after tax of 2009 Q2 up 64% compared to 2009 Q1
- ❖ **Cost to income ratio of 23%, one of the lowest among global exchanges**
- ❖ **Dividend payout ratio of 90% in the past five years**

Global Ranking

HKEx is the largest listed exchange in the world by market capitalisation of its own shares ¹

Among global exchanges...

- #1 in derivative warrants turnover**
- #1 in stock options turnover in Asia and Australia**
- #2 in ETF turnover in Asia and Australia**
- #2 in IPO fund raised**
- #3 in capital raised**
- #7 in market capitalisation**
- #9 in derivatives turnover in Asia and Australia**



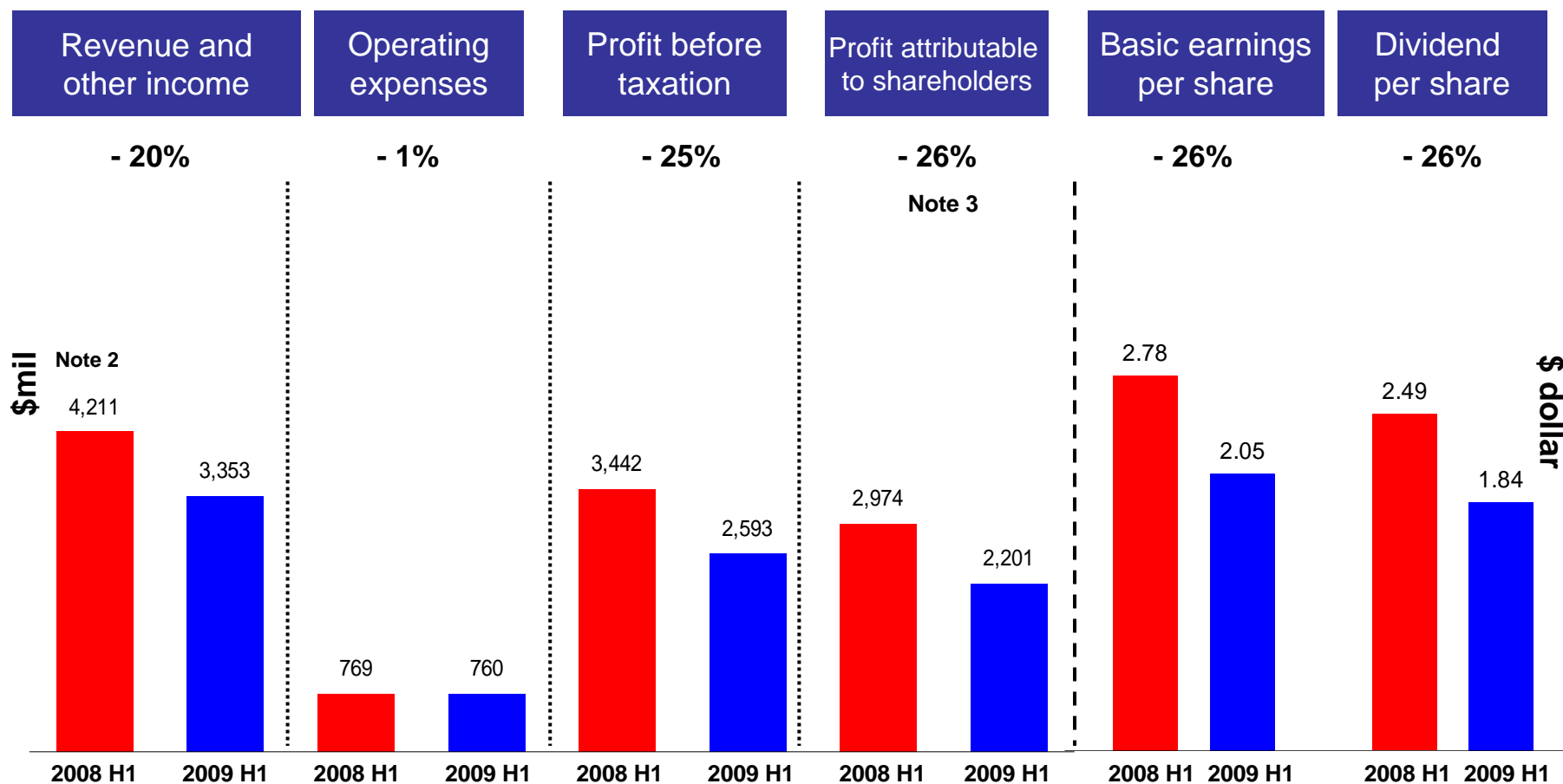
Note 1: As of 22 July 2009

Sources: World Federation of Exchanges – YTD Jun 2009; FIA Futures and Options Monthly Volume Results – Apr 2009

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2009 Interim Results Overview - Financial



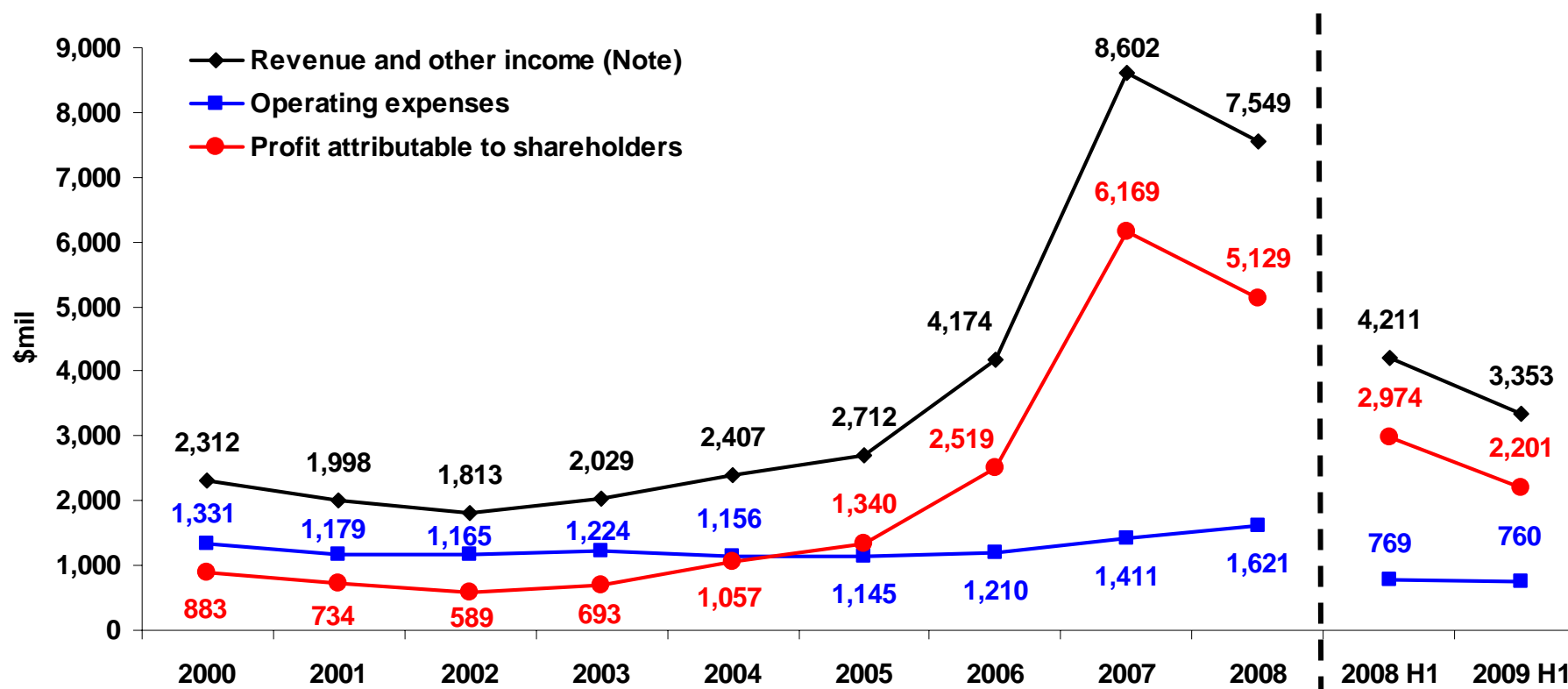
Note 1: Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Note 2: Includes one-off gain on disposal of two properties of \$69 million

Note 3: Excluding the one-off gain on disposal of two properties, profit attributable to shareholders dropped by 24 per cent PoP

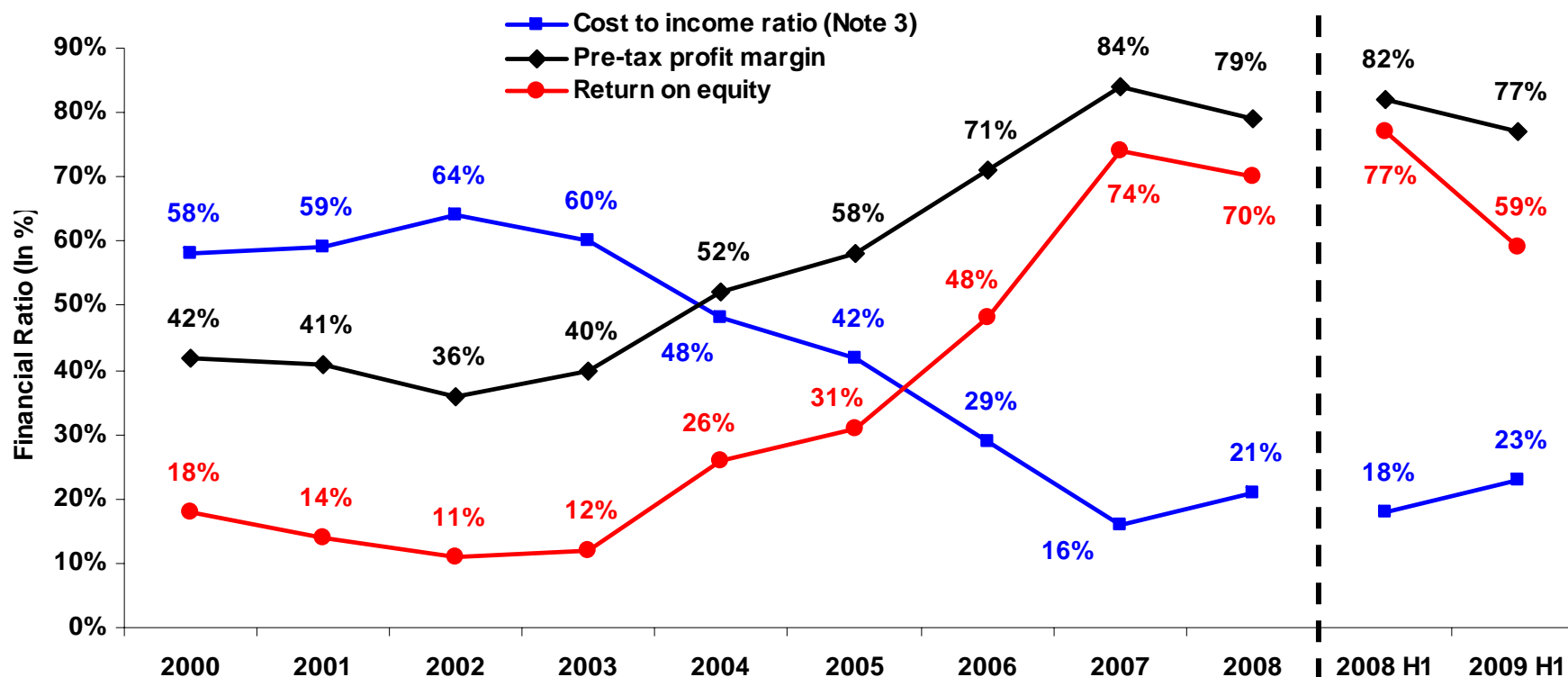
Source: 2009 HKEx Interim Report

Results Since Merger



Note: Includes one-off gains on disposal of an associate and properties, and share of profits less losses of associates
 Source: HKEx Annual Reports and 2009 Interim Report

Key Performance Indicators



Note 1: Financial ratios are calculated based on actual results rounded to the nearest thousand dollars

Note 2: Annualised return on equity is calculated based on total shareholders' funds at 31 December for full year results and at 30 June for half year results.

Note 3: Income includes one-off gains on disposal of an associate and properties, and share of profits less losses of associates

Source: HKEx Annual Reports and 2009 Interim Report

Financial Highlights

	2009 H1 \$ mil	2008 H1 \$ mil	Change
Results			
Revenue and other income	3,353	4,211	-20%
Operating expenses	760	769	-1%
Profit before taxation	2,593	3,442	-25%
Taxation	(392)	(468)	-16%
Profit attributable to shareholders	2,201	2,974	-26%
Basic earnings per share	\$2.05	\$2.78	-26%
Diluted earnings per share	\$2.04	\$2.76	-26%
Interim dividend declared per share	\$1.84	\$2.49	-26%
Dividend payout ratio	90%	90%	N/A

Note : Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Breakdown of Revenue and Other Income

	2009 H1 \$ mil	2008 H1 \$ mil	Change
Income affected by market turnover:			
Trading fees and trading tariff	1,216	1,553	-22%
Clearing and settlement fees	652	775	-16%
Depository, custody and nominee services fees	319	296	+8%
	2,187	2,624	-17%
Stock Exchange listing fees	327	356	-8%
Income from sale of information	327	354	-8%
Other revenue	174	218	-20%
	3,015	3,552	-15%
Net investment income	338	590	-43%
Gain on disposal of properties	-	69	-100%
Total revenue and other income	3,353	4,211	-20%

Note : Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Net Investment Income

	Corporate Fund	Margin Funds	Clearing House Funds	HKEx Group Total
2009 H1				
Investment income (\$mil)	148	187	5	340
Interest rebates to participants (\$mil)	-	(2)	-	(2)
Net investment income (\$mil)	148	185	5	338
Average amount of funds available for investment (\$mil)	10,713	30,804	1,259	42,776
Annualised gross return	2.76%	1.22%	0.77%	1.59%
Annualised net return	2.76%	1.21%	0.76%	1.58%
2008 H1				
Investment income (\$mil)	81	565	17	663
Interest rebates to participants (\$mil)	(1)	(67)	(5)	(73)
Net investment income (\$mil)	80	498	12	590
Average amount of funds available for investment (\$mil)	9,990	58,154	1,747	69,891
Annualised gross return	1.63%	1.94%	1.92%	1.90%
Annualised net return	1.61%	1.71%	1.39%	1.69%

Note : Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Breakdown of Expenses

	2009 H1 \$ mil	2008 H1 \$ mil	Change
Staff costs and related expenses	410	452	-9%
Information technology and computer maintenance expenses			
Cost of services and goods consumed by the Group	70	74	-5%
Cost of services and goods directly consumed by Participants	50	48	+5%
	120	122	-1%
Premises expenses	112	70	+61%
Product marketing and promotion expenses	6	9	-34%
Legal and professional fees	7	9	-19%
Depreciation	47	50	-5%
Other operating expenses	58	57	+1%
Total	760	769	-1%

Note : Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Second & First Quarter Comparison

	2009 Q2	2009 Q1	Change
	\$ mil	\$ mil	
Results			
Revenue and other income	2,012	1,341	+50%
Operating expenses	406	354	+14%
Profit before taxation	1,606	987	+63%
Taxation	(239)	(153)	+57%
Profit attributable to shareholders	1,367	834	+64%

Note : Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Results by Quarter

\$mil	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1
Revenue and Other Income	2,012	1,341	1,702	1,636	1,926	2,285
Trading fees & trading tariff	720	496	595	655	687	866
Stock Exchange listing fees	174	153	170	186	165	191
Clearing & settlement fees	395	257	313	317	354	421
Depository, custody & nominee services fees	257	62	96	105	232	64
Income from sale of information	172	155	163	156	169	185
Other revenue	90	84	94	79	97	121
Net investment income	204	134	271	138	222	368
Gain on disposal of properties	-	-	-	-	-	69
Operating Expenses	406	354	322	530	386	383
Staff costs & related expenses	227	183	153	198	223	229
IT & computer maintenance expenses	61	59	59	58	60	62
Premises expenses	58	54	42	38	36	34
Product marketing & promotion expenses	3	3	5	3	6	3
Legal & professional fees	3	4	6	10	5	4
Depreciation	23	24	29	30	26	24
Other operating expenses ^{Note}	31	27	28	193	30	27
Profit Before Taxation	1,606	987	1,380	1,106	1,540	1,902

Note: Other operating expenses for 2008Q3 include a one-off provision for impairment losses of trade receivables of \$157 million arising from the default on market contracts by Lehman Brothers Securities Asia Limited

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Market Capitalisation and Funds Raised

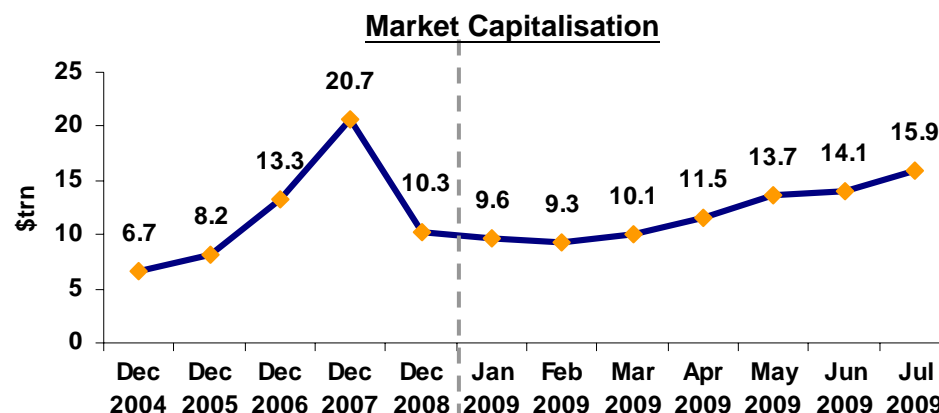
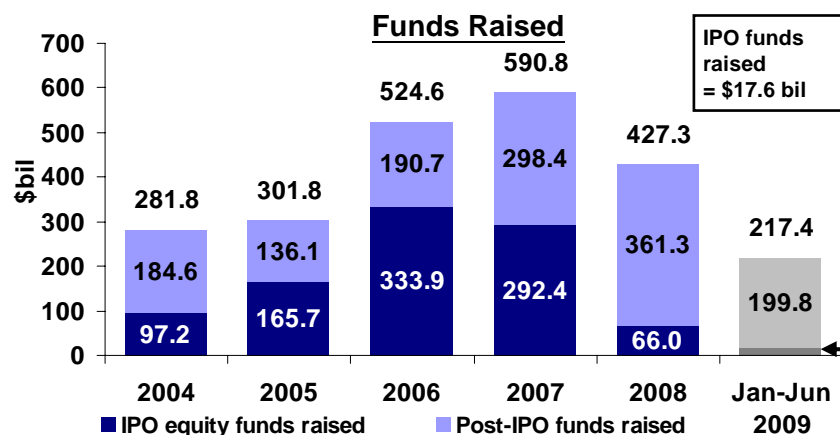
- Market capitalisation rose about 40% in the first six months
- 1,273 companies were listed in Hong Kong as of 30 Jun 2009
- Total equity funds raised in Jan-Jul 2009 amounted to \$285.7 bil

New Listings

	Jan-Jun 2009	Jan-Jul 2009
Companies newly listed	14	19
Transfer from GEM to Main Board	4	4

IPO Pipeline¹

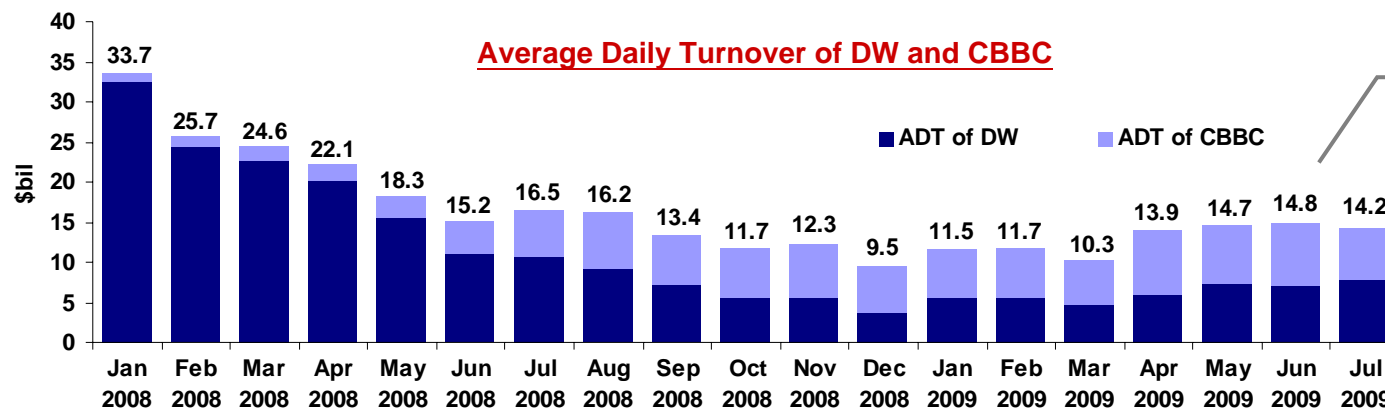
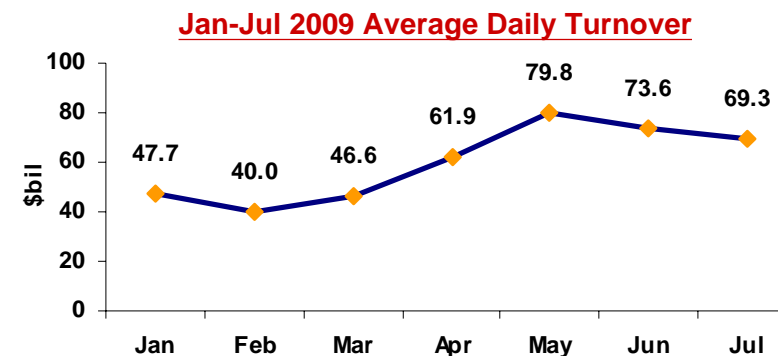
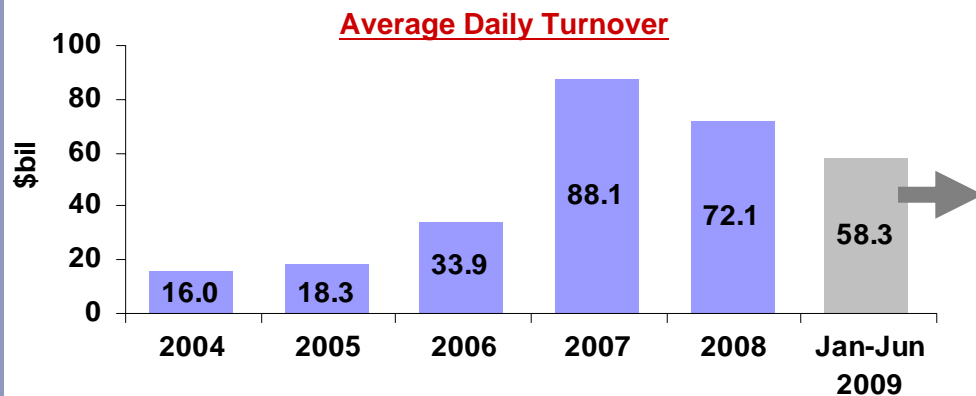
	End of Jun 2009	End of Jul 2009
IPO applications accepted (YTD)	20	33
Applications under review by the Listing Division	14	25
Applications approved in principle but not yet listed	9	6



Note 1: Includes equity securities only. Does not include application(s) by investment vehicles pursuant to Chapters 20 & 21 of the Listing Rules
 Sources: HKEx statistics

Cash Market Trading

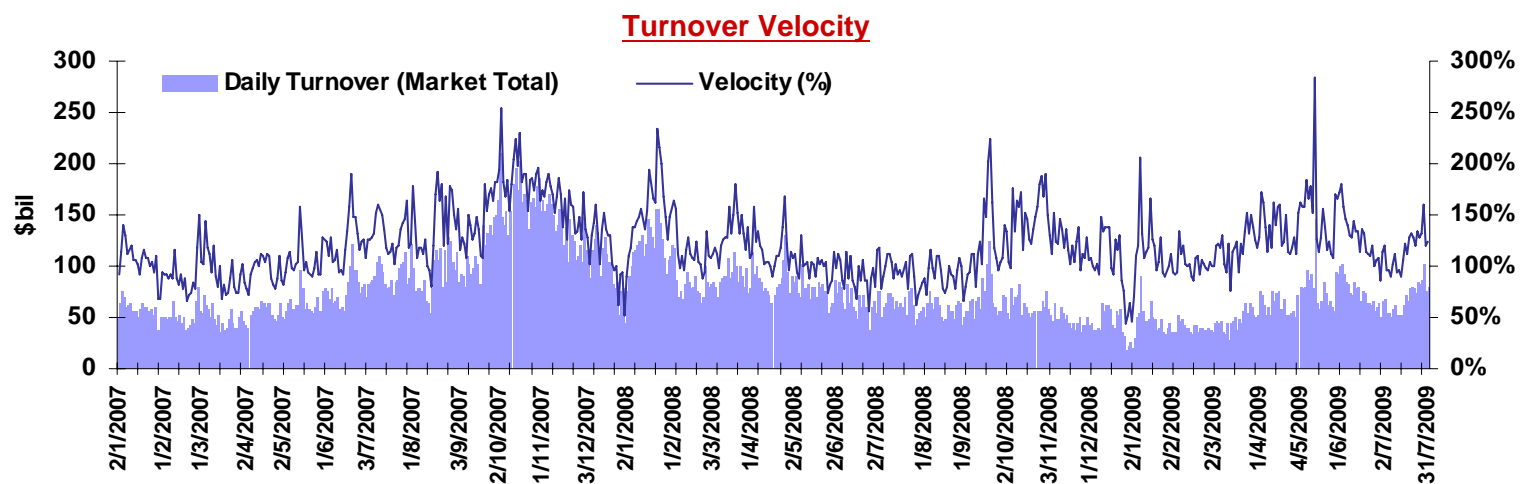
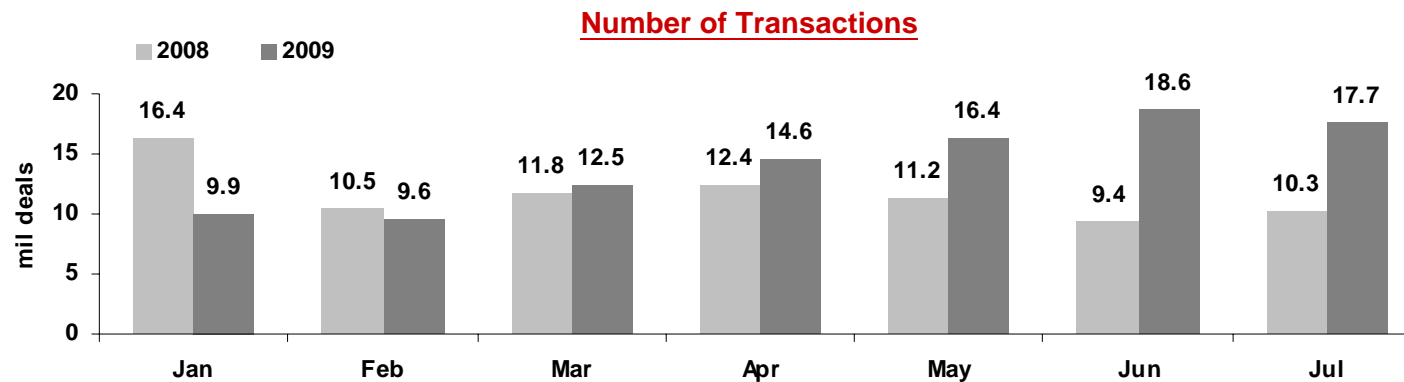
- Average daily turnover in Jun 2009 increased by over 70% from Dec 2008
- Active CBBC and DW issuance & trading provide additional sources of listing and trading income
- 35 ETFs are listed at end of July providing a diverse choice of underlying securities



Combined ADT of CBBC and DW accounted for 22% of market total in 2009 H1

Turnover Velocity

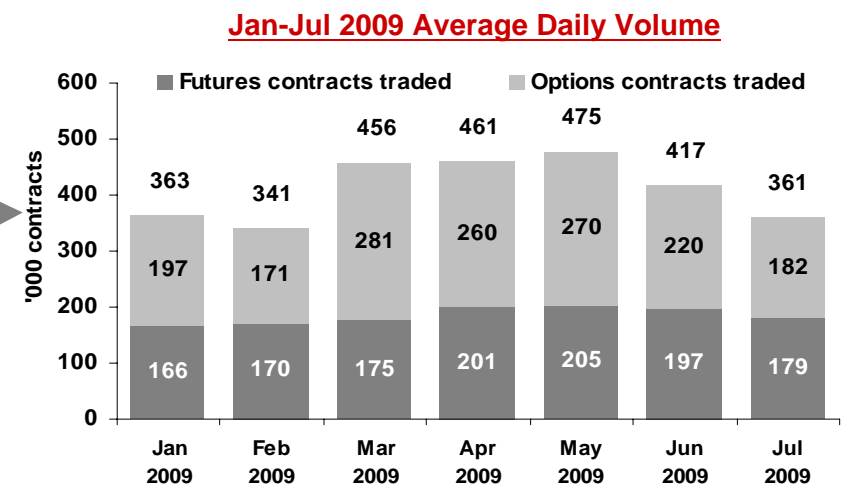
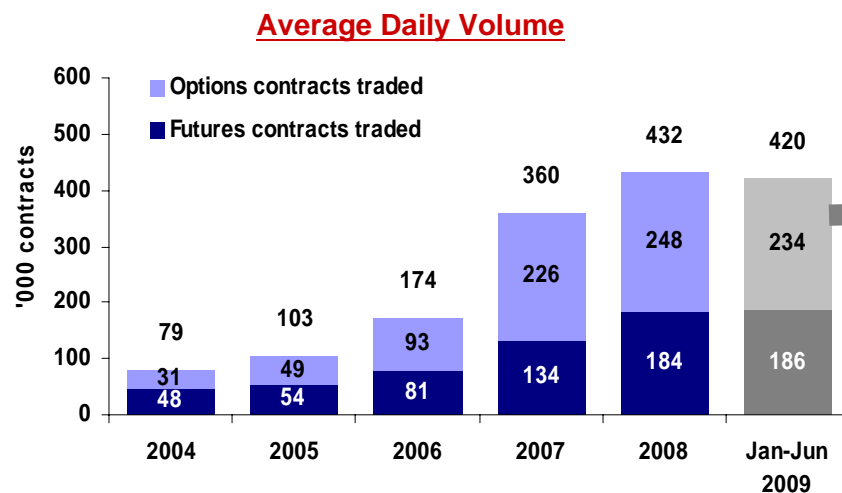
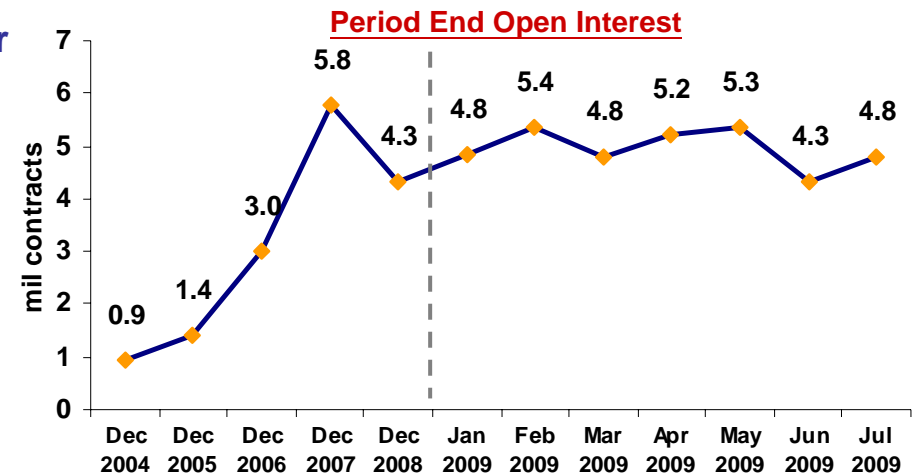
- Turnover boosted by increase in stock prices and number of trades
- YTD average turnover velocity as of 30 Jun 2009 was 126% (124% as of 31 Jul 2009)



Source: HKEx statistics

Derivatives Market Trading

- Total turnover in 2009 Q2 improved by 17% over 2009 Q1
- Open interest level remained stable throughout 2009
- Stock options contributed almost half of total derivatives trading
- HSI options and futures turnover in 2009 H1 increased by 10% YoY



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HKEx's Mission and Main Strategic Focuses



Mainland Positioning

Positioning as China's international financial centre

- Commenced Market Data Collaboration Programme with the Shanghai Stock Exchange (1 Jan 2009)
- Signed Closer Cooperation Agreement with the Shanghai Stock Exchange and Shenzhen Stock Exchange (Jan and Apr 2009)
- Consider accepting financial statements of Mainland companies audited by Mainland audit firms (2009 H2)
- Work with exchanges in the Mainland and Taiwan for cross-listing of ETFs

Capture more Mainland-related listings

- Co-organised five events in the Mainland in 2009 H1 to promote listing in Hong Kong
- Continue to market actively to Mainland companies and those with Mainland nexus

Trade more Mainland-related products

- Mainland related stocks contributed over 70% of equity turnover
- 7 out of 35 ETFs are on China-related indices
- Mainland related derivatives contributed over 40% of contracts traded
- 55% of stock option classes are on Mainland stocks

Engage more Mainland-related exchange participants (EPs)

- Actively recruit EPs from the Mainland and overseas
- 30 cash market EPs and 18 derivative market EPs are from the Mainland

Business Expansion

Primary market development

- Visited Moscow to promote listing in Hong Kong (2 Jun 2009)
- Co-organised a seminar in Hong Kong to attract natural resources and mineral companies (3 Jun 2009)
- Announced granting of case-by-case waiver for profit test requirement for initial listing applicants on the Main Board (5 Jun 2009)
- Published a consultation paper on proposals to accelerate rights issues and open offers (31 Jul 2009)
- Completed review of Listing Rules applicable to mining and resources companies. To consult the market in 2009 H2
- Consider revision of Listing Rules following the Strategic Review of Listing Regime

Secondary market and product development

- 11 ETFs were newly listed in Jan-Jul 2009
- Published consultation paper on introduction of Certified Emission Reduction futures (26 Jun 2009)
- Increased position limits on six option classes (2 Jul 2009)
- Added three new stock option classes, bringing total to 51 classes (6 Jul 2009)
- Study introduction of options with flexible features
- Study establishment of a Hong Kong market volatility index
- Opened up participants to overseas clearing houses and central depositories
- Support the SFC in implementing a scripless market. To jointly consult the market in 2009 Q4

Service Excellence

Improve service offering

- Streamlined provision of certain information by EPs (1 Jun 2009)
- Published a consultation paper on proposed changes to the filing and checklist requirement for the listing of equity securities (26 Jun 2009)
- Published guidance on the Exchange's IPO process (24 Jul 2009)
- Offer free real time Hong Kong basic market prices via website partners (2009 Q4)
- Revamp HKEx website (2009 Q4)
- Consult market on T+2 finality for CNS / Isolated trades and SIs (2009 H2)
- Work on arrangements related to non-transferability of trading rights after 5 March 2010 (2010 Q1)
- Automate stamp duty reporting and payment process (2010 H1)

Strengthen IT infrastructure to support service delivery

- Maintain 100% operational system uptime
- Completed hardware upgrade to increase HKATS capacity by 50%
- Consolidated IT offices and data centres to Quarry Bay (Jun 2009)
- Completed upgrade of PRS to support HKATS upgrade (Jul 2009)
- Commence an independent review of derivatives market systems (2009 Q3)
- Complete technical revamp of cash market trading system (2009 Q4)

Operating an Open, Secure, Fair, Orderly, Efficient and Transparent Marketplace

Strengthen risk management measures

- Referred to the SFC 56 cases (31 related to Cash Market and 25 related to Derivatives Market) concerning possible violation of Hong Kong laws or SFC's codes, rules and regulations
- Develop HKEx Enterprise Risk Management framework
- Conduct Capital Adequacy Review

Enhance transparency and corporate governance standards:

- Published findings of third Review of Corporate Governance Practices (20 Feb 2009)
- Effected extension of blackout period for annual/interim financial results to 60/30 days (1 Apr 2009)
- Published findings on the Financial Statements Review Programme (12 Jun 2009)
- Published consultation conclusion on the proposal under Issue 15 of the 2008 Combined Consultation Paper (31 Jul 2009)
- Consider the issue of Periodic Financial Reporting further at the Listing Policy Meeting (2009 Q4)
- Continue to support SFC in implementing electronic submission of Disclosure of Interests notices
- Continue to support SFC in implementing statutory backing of certain Listing Rules

Thank you

HKEx Corporate Website: www.hkex.com.hk
HKExnews Website: www.hkexnews.hk