

28 February 2018

**2017 FINAL
RESULTS ANNOUNCEMENT**

HKEX
香港交易所

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Agenda

1

Highlights

2

HKEX Group Financial Review

3

Business and Strategic Update

4

Appendix



Agenda

1

Highlights

2

HKEX Group Financial Review

3

Business and Strategic Update

4

Appendix



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



Agenda

1

Highlights

2

HKEX Group Financial Review

3

Business and Strategic Update

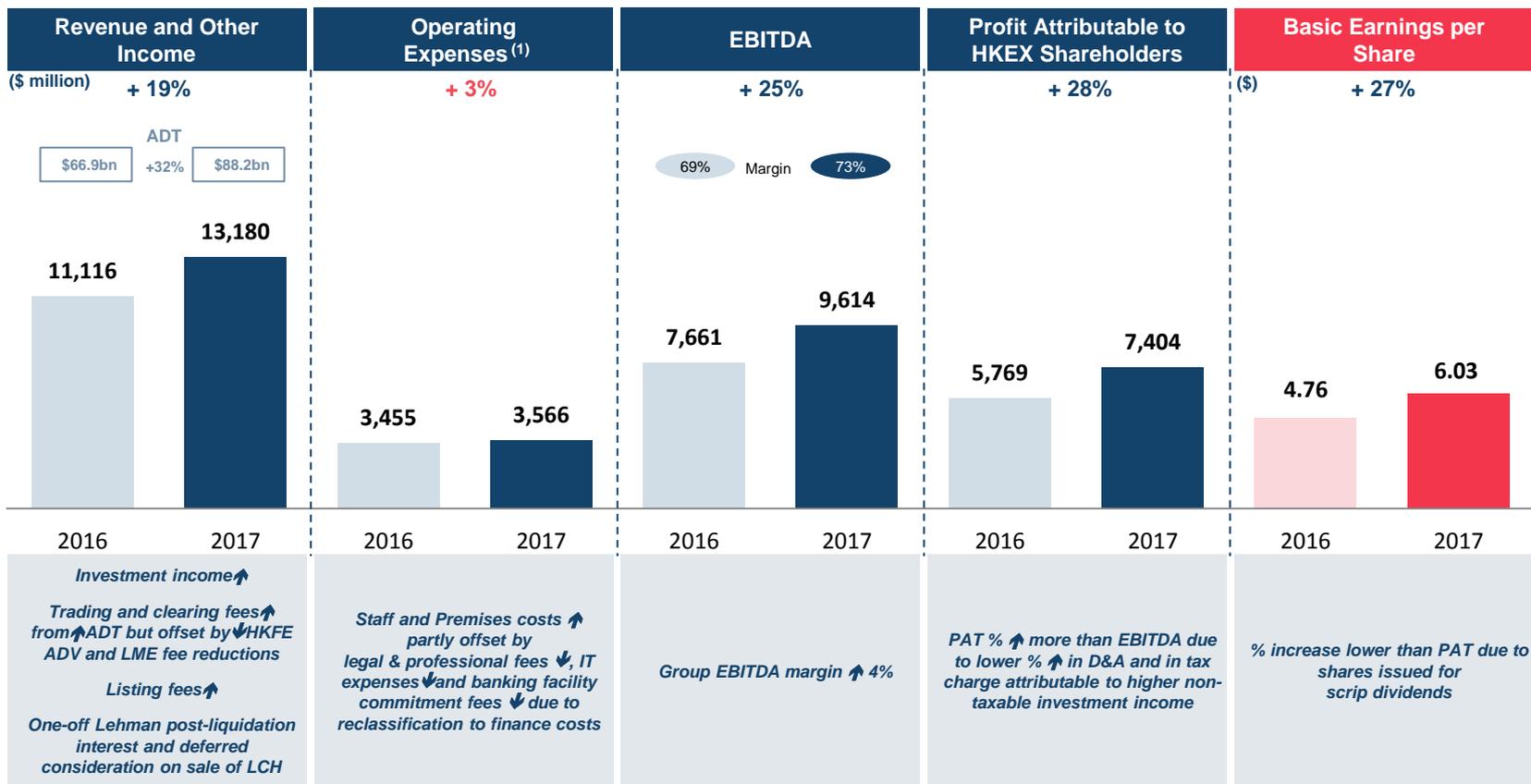
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Appendix



Highlights – 2017 Results

Prior year comparison



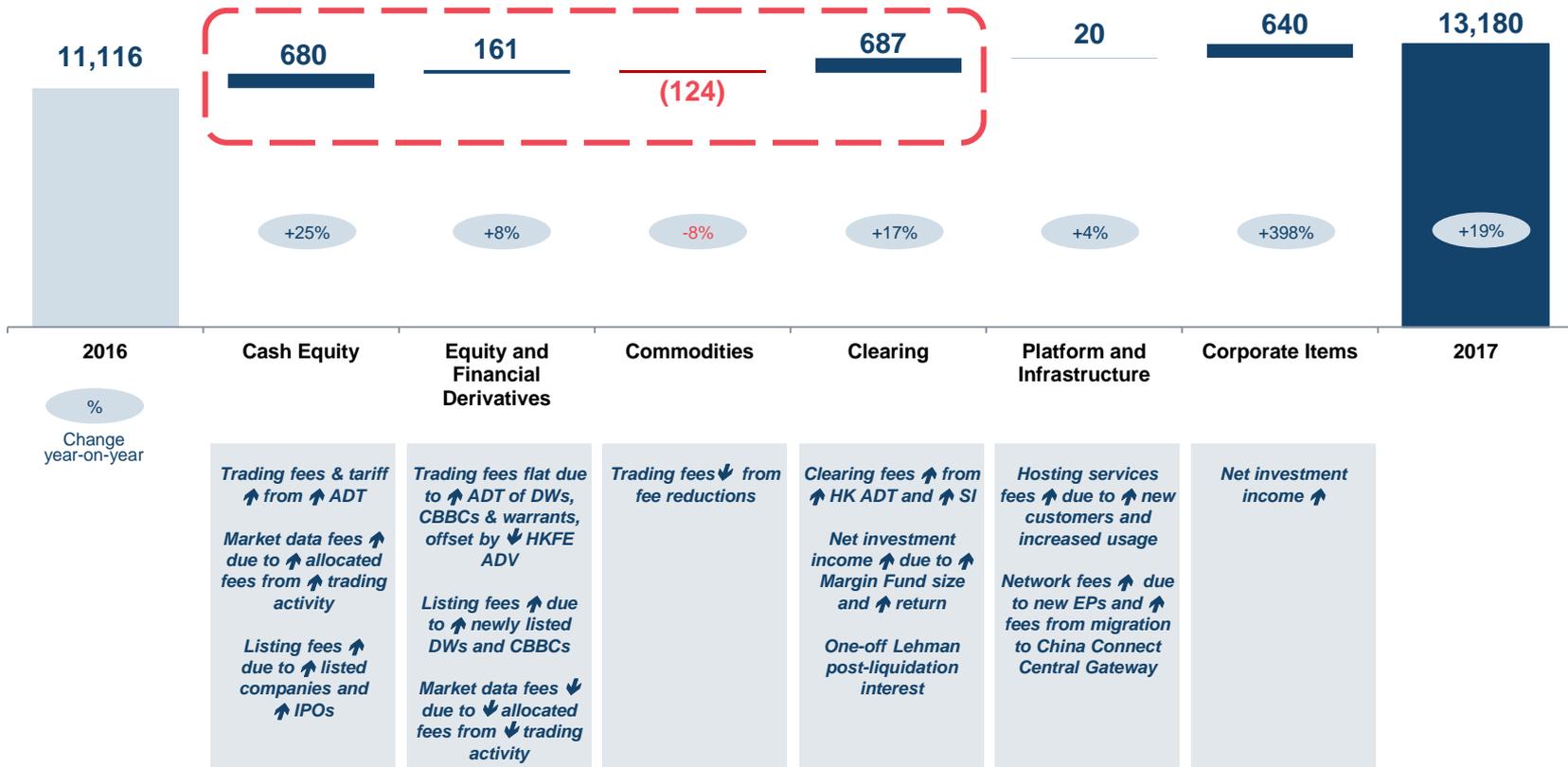
(1) Excludes depreciation and amortisation, finance costs, and share of losses of joint ventures



Revenue Movement by Segment

(\$ million)

Increase comes from cash trading & clearing fees and listing fees

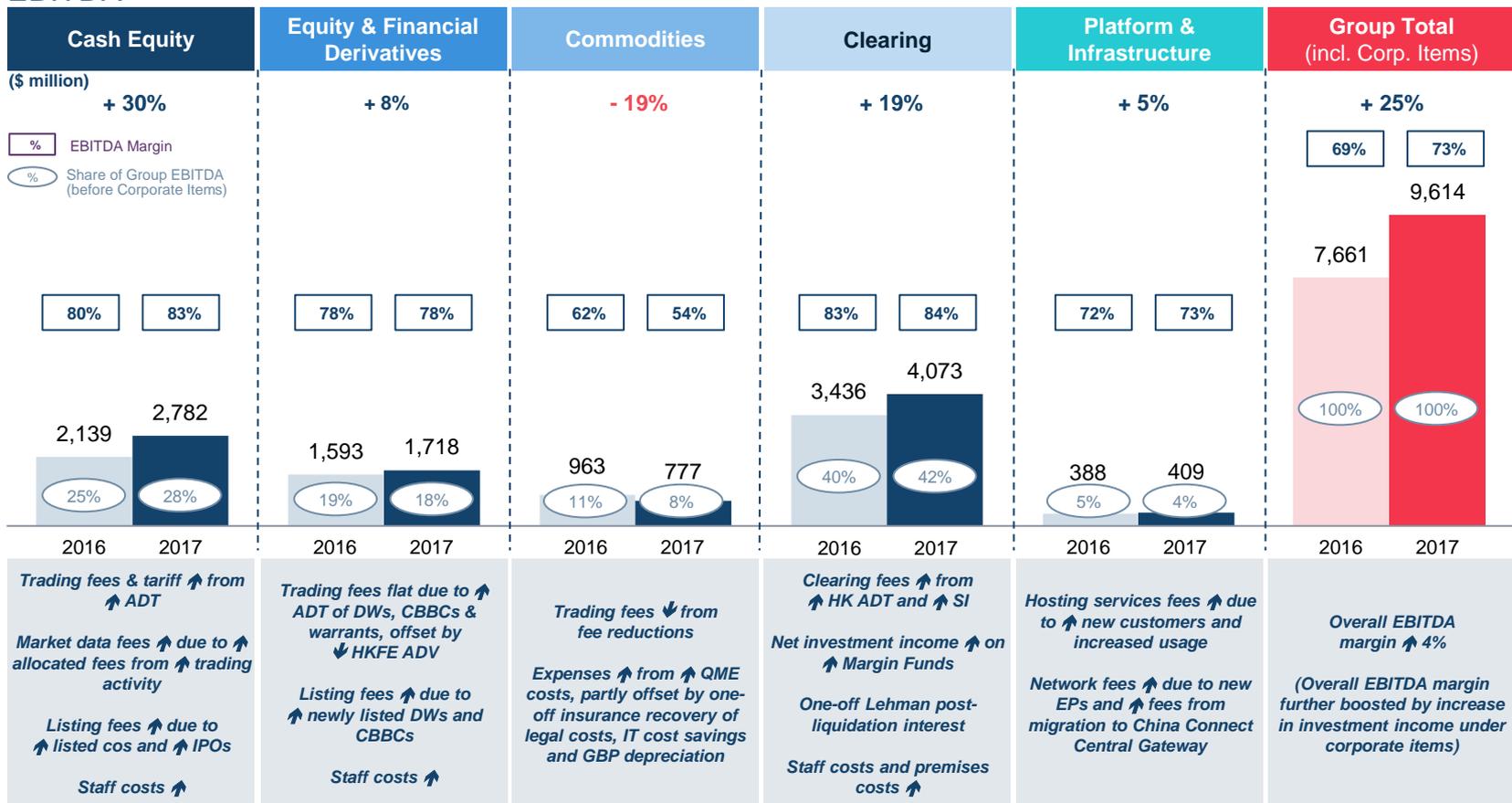


(1) Headline ADT up 32% (2017: \$88.2bn; 2016: \$66.9bn); ADT of cash equity up 42% (2017: \$71.2bn; 2016: \$50.2bn); ADT of DWs, CBBCs and warrants included under equity and financial derivatives up 2% (2017: \$17.0bn; 2016: \$16.7bn)

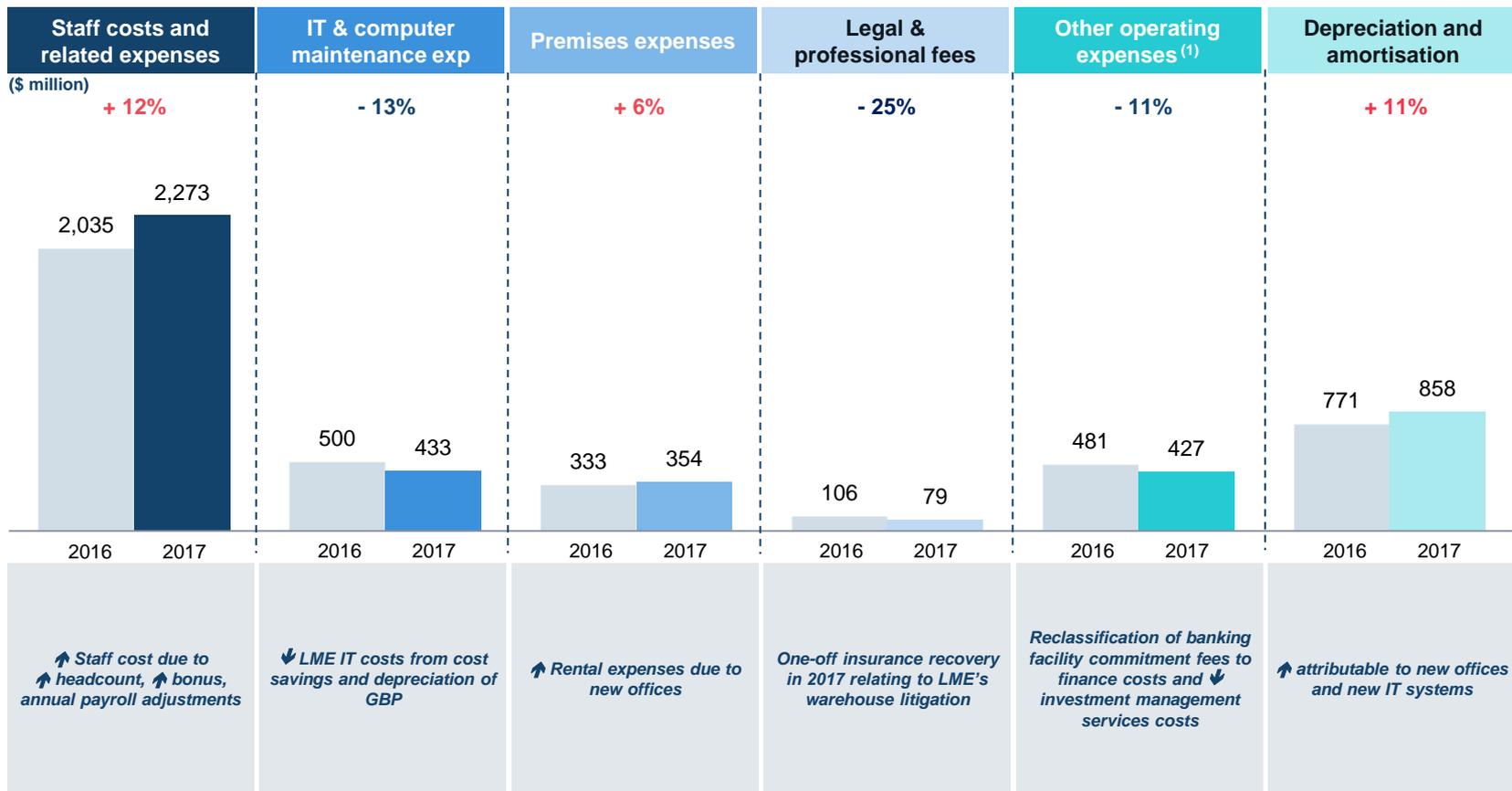


Performance by Operating Segment

EBITDA



Operating Expenses and Depreciation & Amortisation

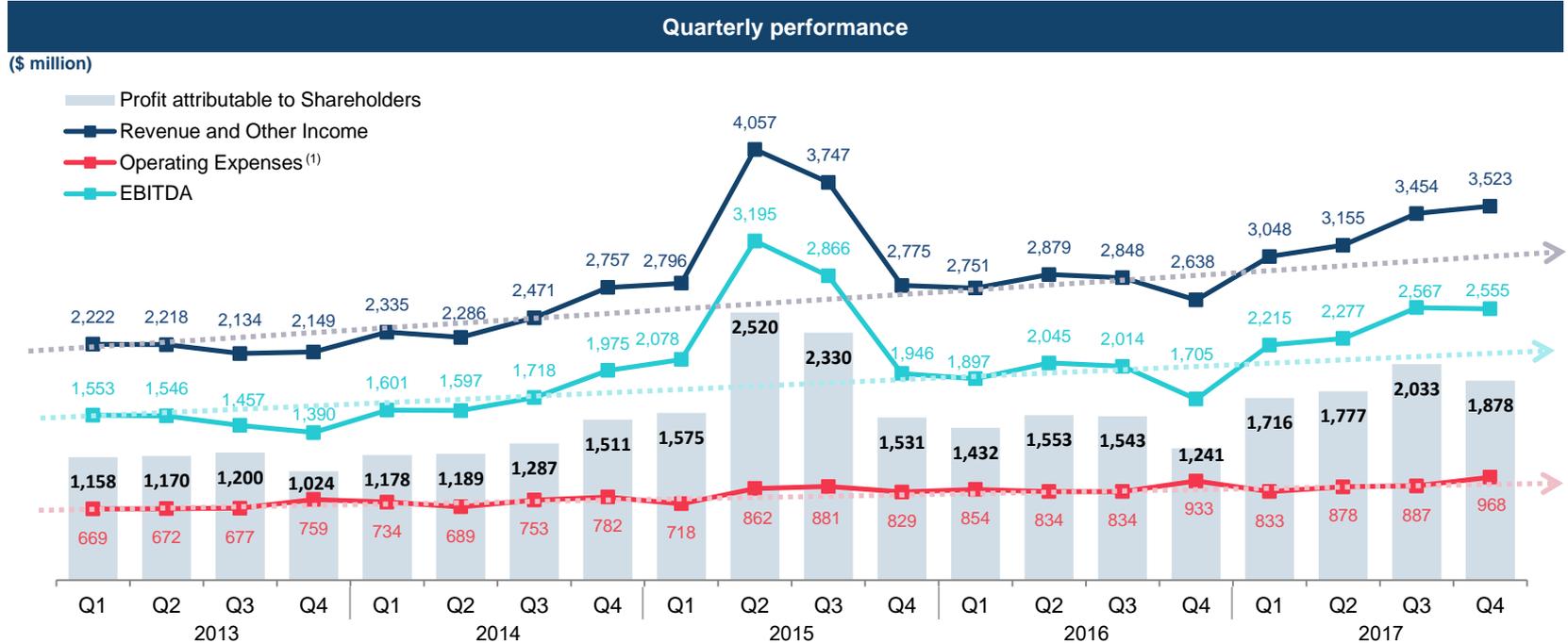


(1) Includes product marketing and promotion expenses



Quarterly Trend

2017 Results above historical trend line



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



Agenda

1

Highlights

2

HKEX Group Financial Review

3

Business and Strategic Update

4

Appendix



HKEX Achieved a Number of Strategic Milestones in 2017

EQUITY

Listing regime revamp

Reached market consensus on new Biotech & WVR chapters; secondary listing enhancements; GEM reform

Stock Connect programmes

Further Stock Connect enhancements

Products and platform

HK Leveraged & Inverse Products; enhanced stock options position limit regime; microstructure enhancements

FIC

Bond Connect

A key catalyst for our FIC derivatives

New products

CNH options

OTC capabilities

Client clearing

COMMODITIES

LME commercialisation

Further business optimisation

Precious metals

London gold;
Hong Kong gold

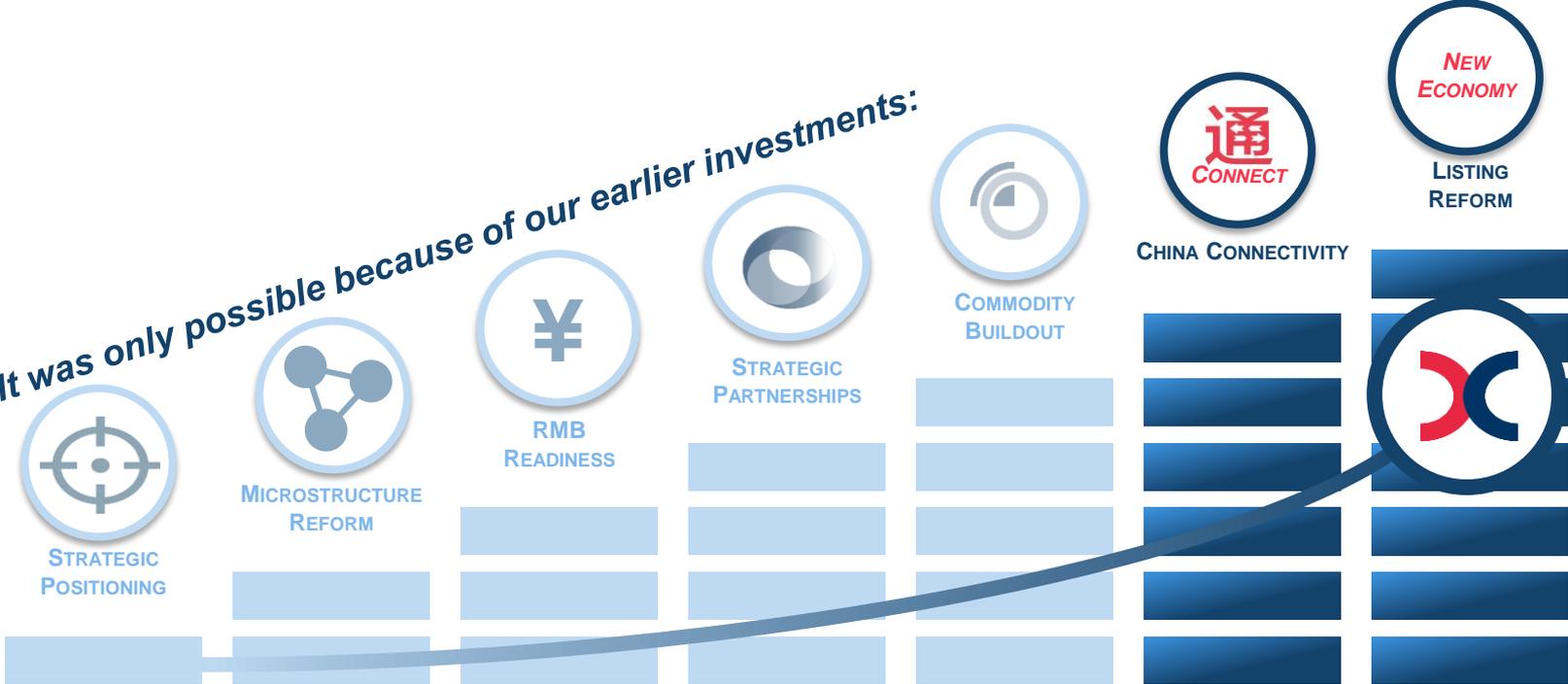
QME spot market

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:



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



Agenda

1

Highlights

2

HKEX Group Financial Review

3

Business and Strategic Update

4

Appendix



Financial Highlights – Income Statement

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



Performance by Operating Segment – 2017

\$ million	Cash Equity	Equity & Financial Derivatives	Commodities	Clearing	Platform and Infrastructure	Corporate Items	Group 2017	Group 2016
Revenue and other income	3,363	2,195	1,436	4,825	560	801	13,180	11,116
<i>% of Group Total</i>	<i>25%</i>	<i>17%</i>	<i>11%</i>	<i>37%</i>	<i>4%</i>	<i>6%</i>	<i>100%</i>	<i>100%</i>
Operating expenses	(581)	(477)	(659)	(752)	(151)	(946)	(3,566)	(3,455)
EBITDA	2,782	1,718	777	4,073	409	(145)	9,614	7,661
<i>% of Group Total⁽¹⁾</i>	<i>29%</i>	<i>18%</i>	<i>8%</i>	<i>42%</i>	<i>4%</i>	<i>(1%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin</i>	<i>83%</i>	<i>78%</i>	<i>54%</i>	<i>84%</i>	<i>73%</i>	<i>N/A</i>	<i>73%</i>	<i>69%</i>
Depreciation and amortisation	(69)	(77)	(395)	(196)	(42)	(79)	(858)	(771)
Finance costs	-	-	-	(38)	-	(96)	(134)	(82)
Share of losses of joint ventures	(4)	(8)	-	-	-	-	(12)	(9)
Profit before taxation	2,709	1,633	382	3,839	367	(320)	8,610	6,799



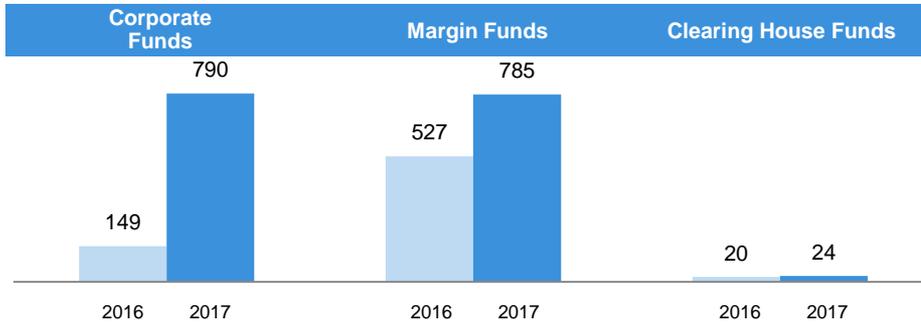
(1) % Share of Group EBITDA (including Corporate Items)

Net Investment Income

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

Net Investment Income by Funds

(\$ million)



Net Investment Income by Category of Investments

(\$ million)



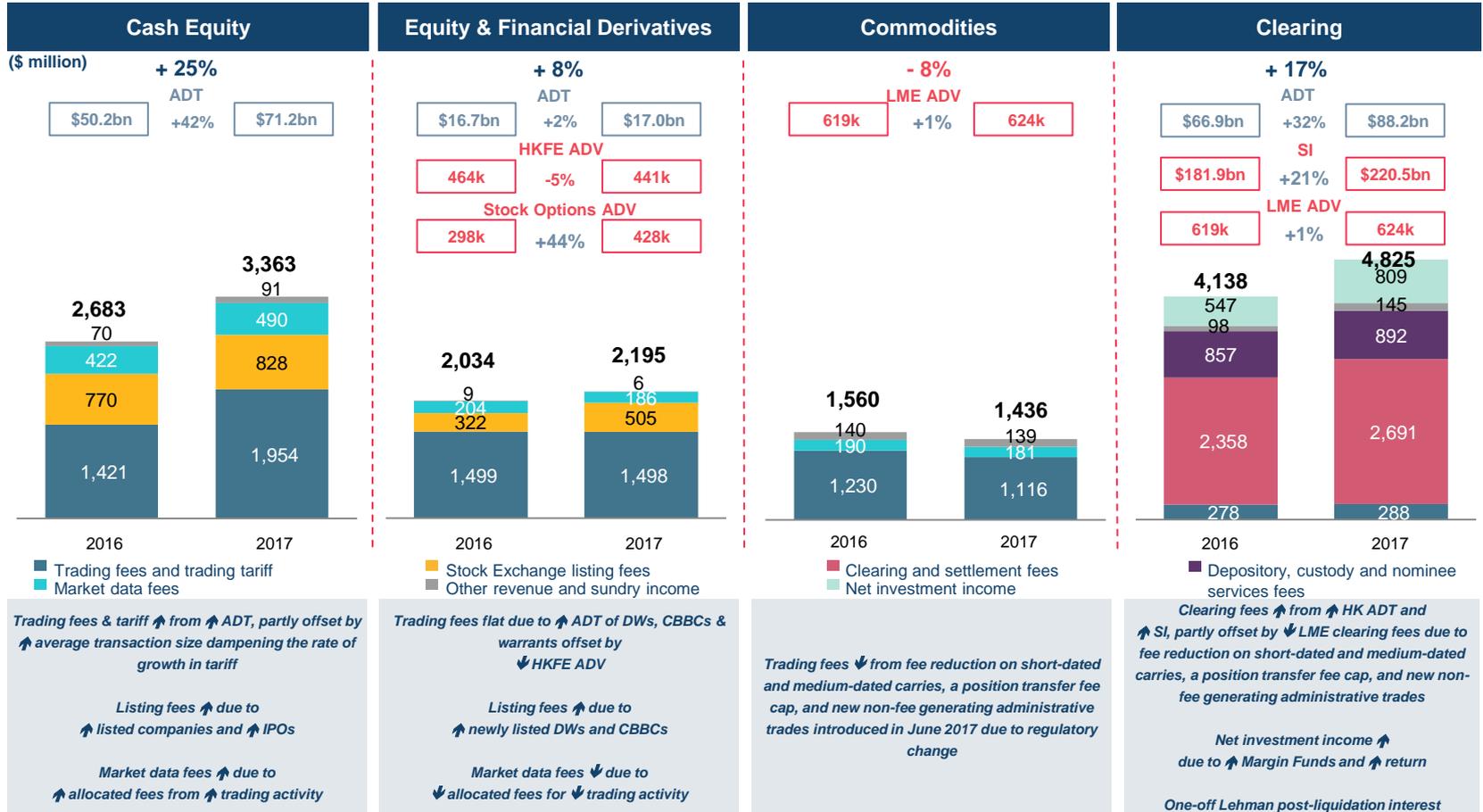
Net investment income for 2017 increased by 130% versus 2016 mainly due to:

- (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

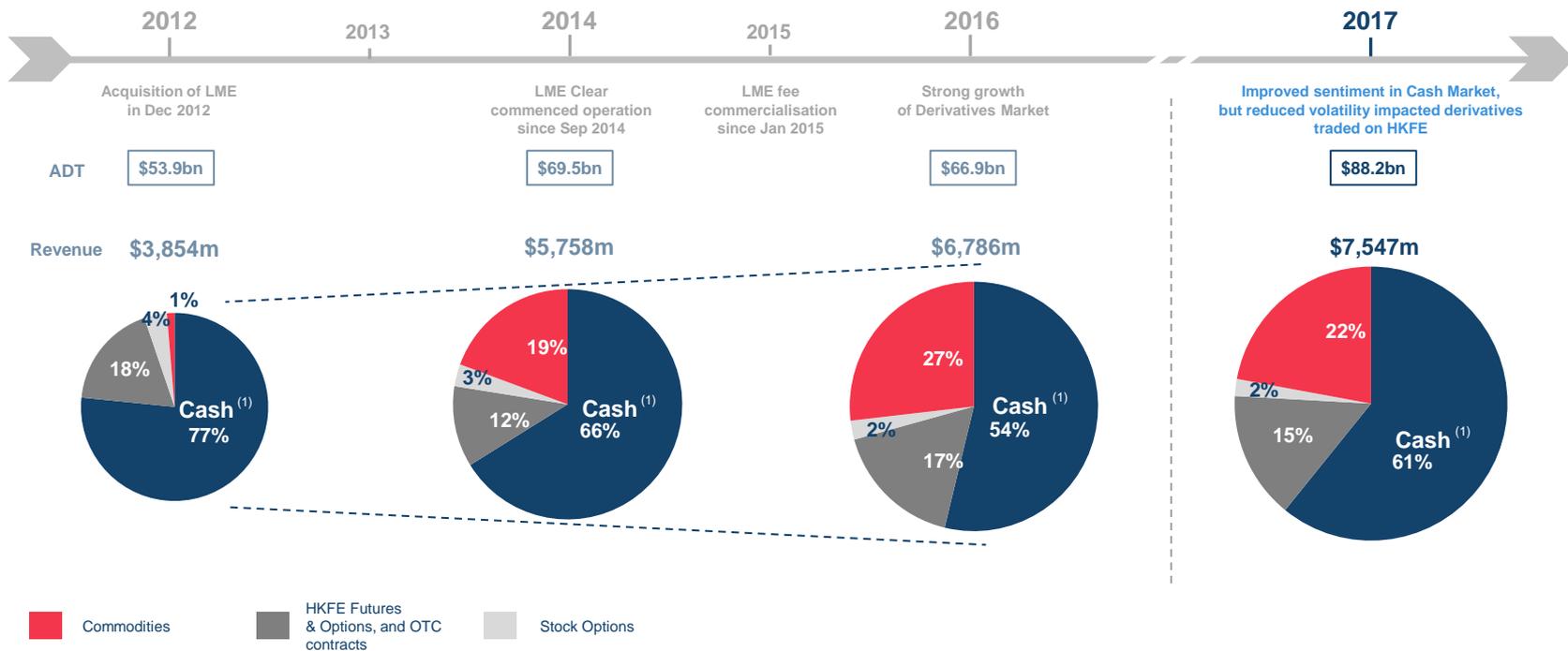


Drivers of Trading and Clearing Revenue

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



Trading and Clearing Transactional Revenue by Market



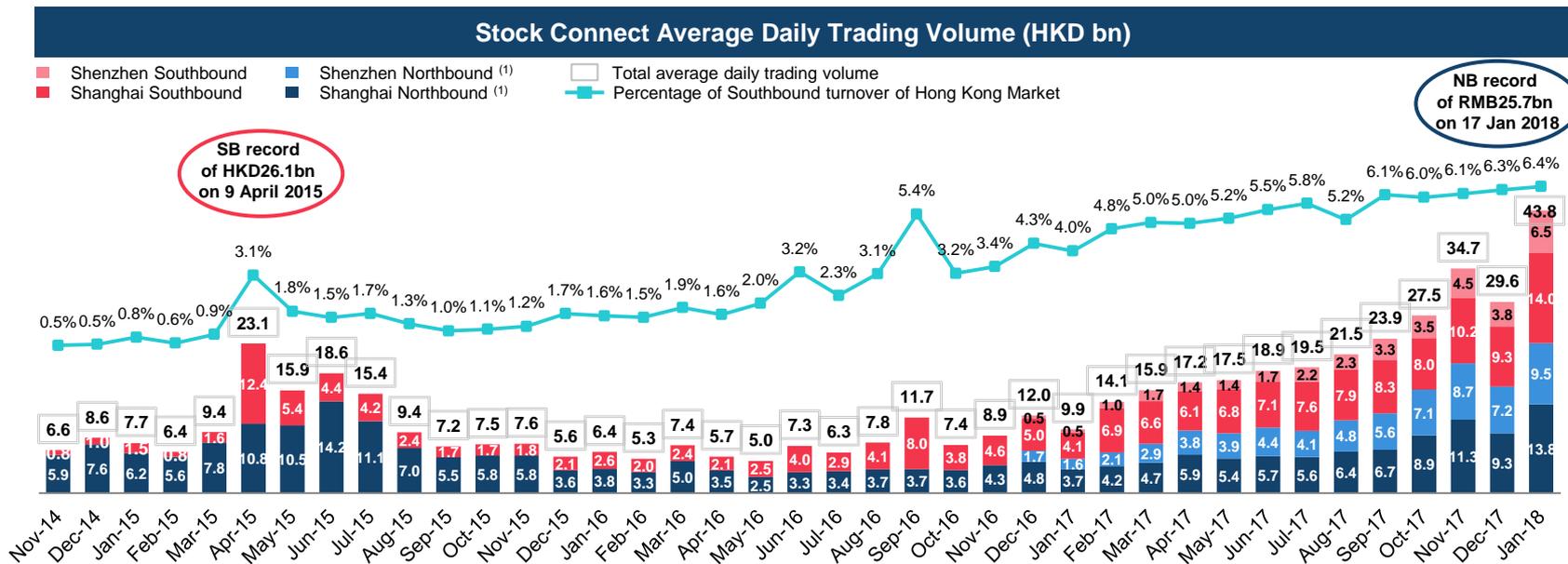
Fee diversification continues following acquisition of LME and with steady growth of Derivatives Market



(1) Includes all products traded on the 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



- 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

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