

8 August 2018

**2018 INTERIM
RESULTS ANNOUNCEMENT**

HKEX
香港交易所

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1H 2018 – Key Highlights

Record half-yearly revenue of \$8.2bn (+32% YoY) and PAT of \$5.0bn (+44% YoY)

Strong growth in trading volumes: Cash Market headline ADT +67% YoY, Futures and Options ADV +58% YoY, LME chargeable ADV +11% YoY

Listing of the first WVR company and pre-revenue Biotech companies under the new regime (effective on 30 April); reached consensus with Mainland exchanges on the inclusion of WVR companies in Stock Connect Southbound trading

Stock Connect continued to gather momentum after expansion of the daily quota in May and inclusion of A shares in MSCI-Emerging Market Index in June

Celebrated the first anniversary of Bond Connect with growing market participation; PBOC announced a package of new measures to support development of Bond Connect

Maintained prudent cost management while investing in strengthening platform and infrastructure capabilities. Innovation Lab was established to explore the increased use of emerging technologies



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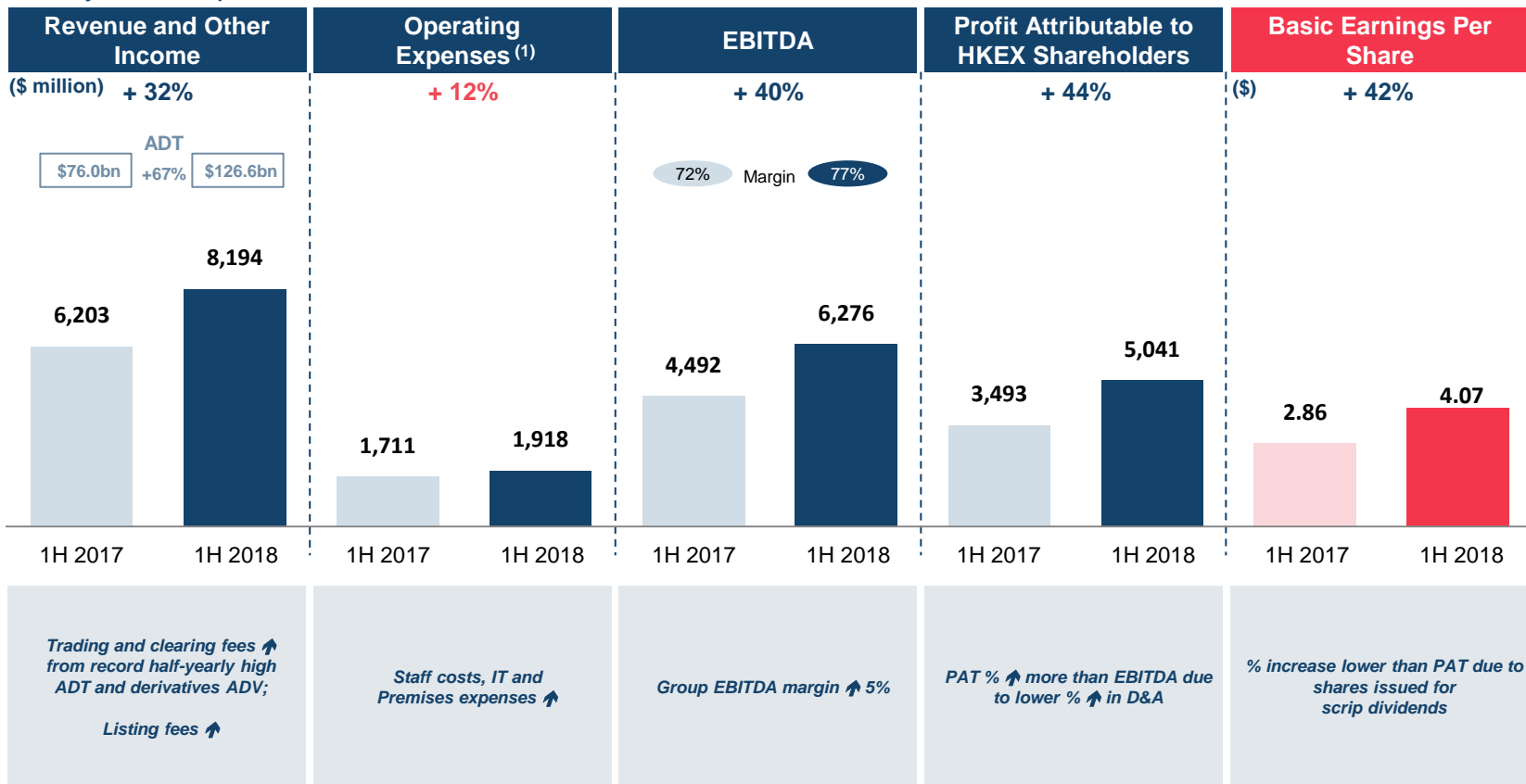
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Highlights – 1H 2018 Results

Prior year comparison



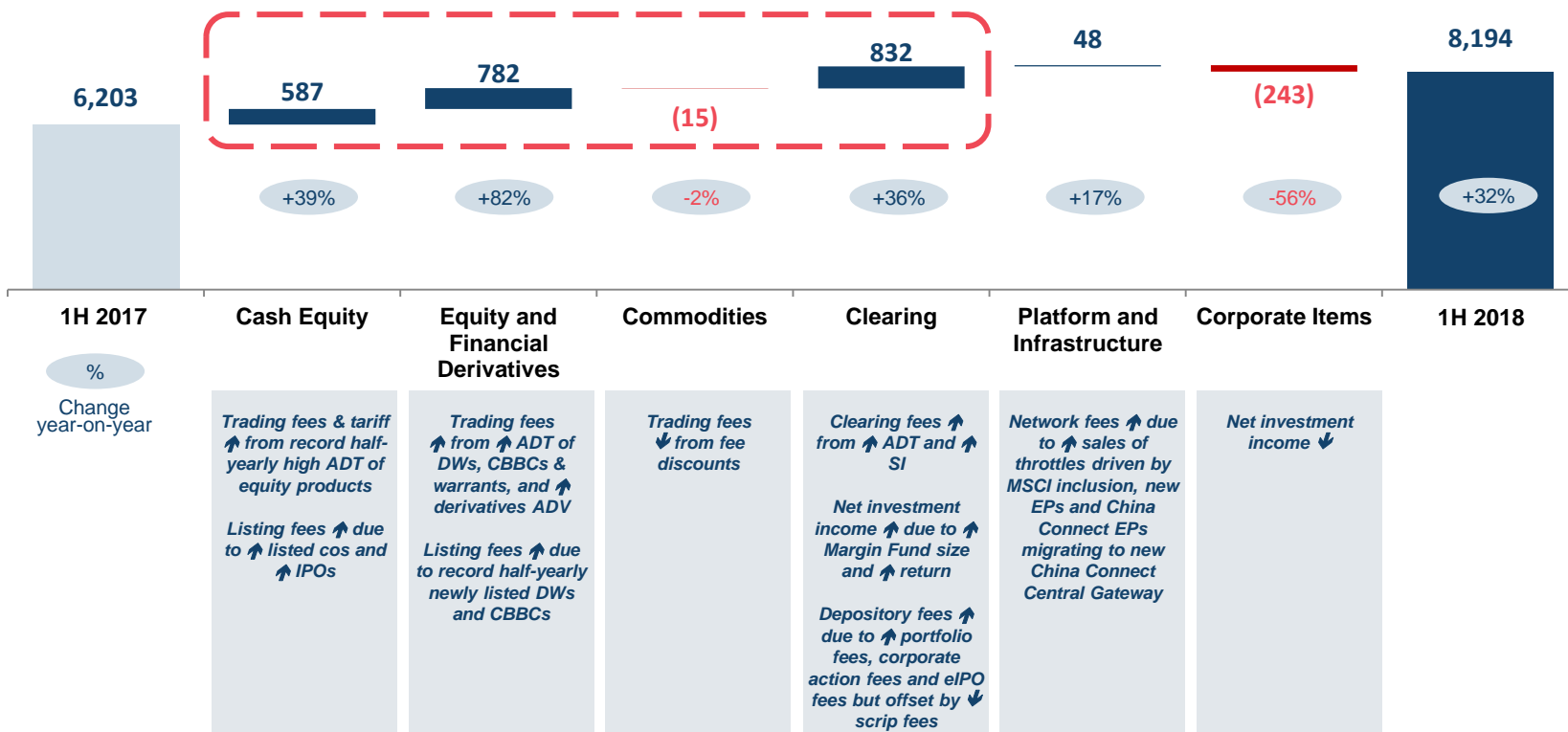
(1) Excludes depreciation and amortisation, finance costs, and share of profits less losses of joint ventures



Revenue Movement by Segment

(\$ million)

Increase came from cash and derivatives trading & clearing fees and listing fees

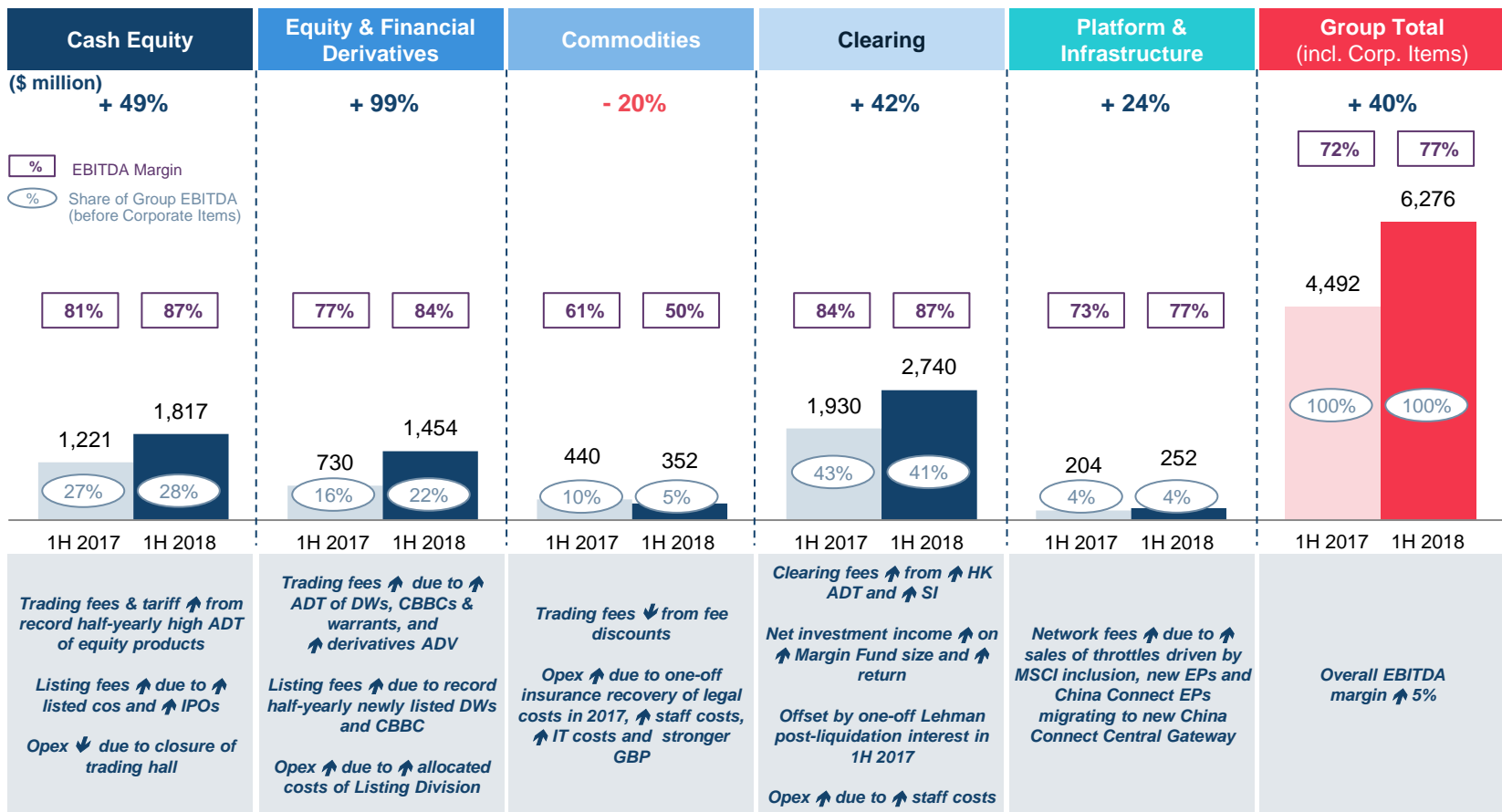


(1) Headline ADT up 67% (1H 2018: \$126.6bn; 1H 2017: \$76.0bn); ADT of cash equity up 64% (1H 2018: \$100.4bn; 1H 2017: \$61.4bn); ADT of DWs, CBBCs and warrants included under equity and financial derivatives up 79% (1H 2018: \$26.2bn; 1H 2017: \$14.6bn)

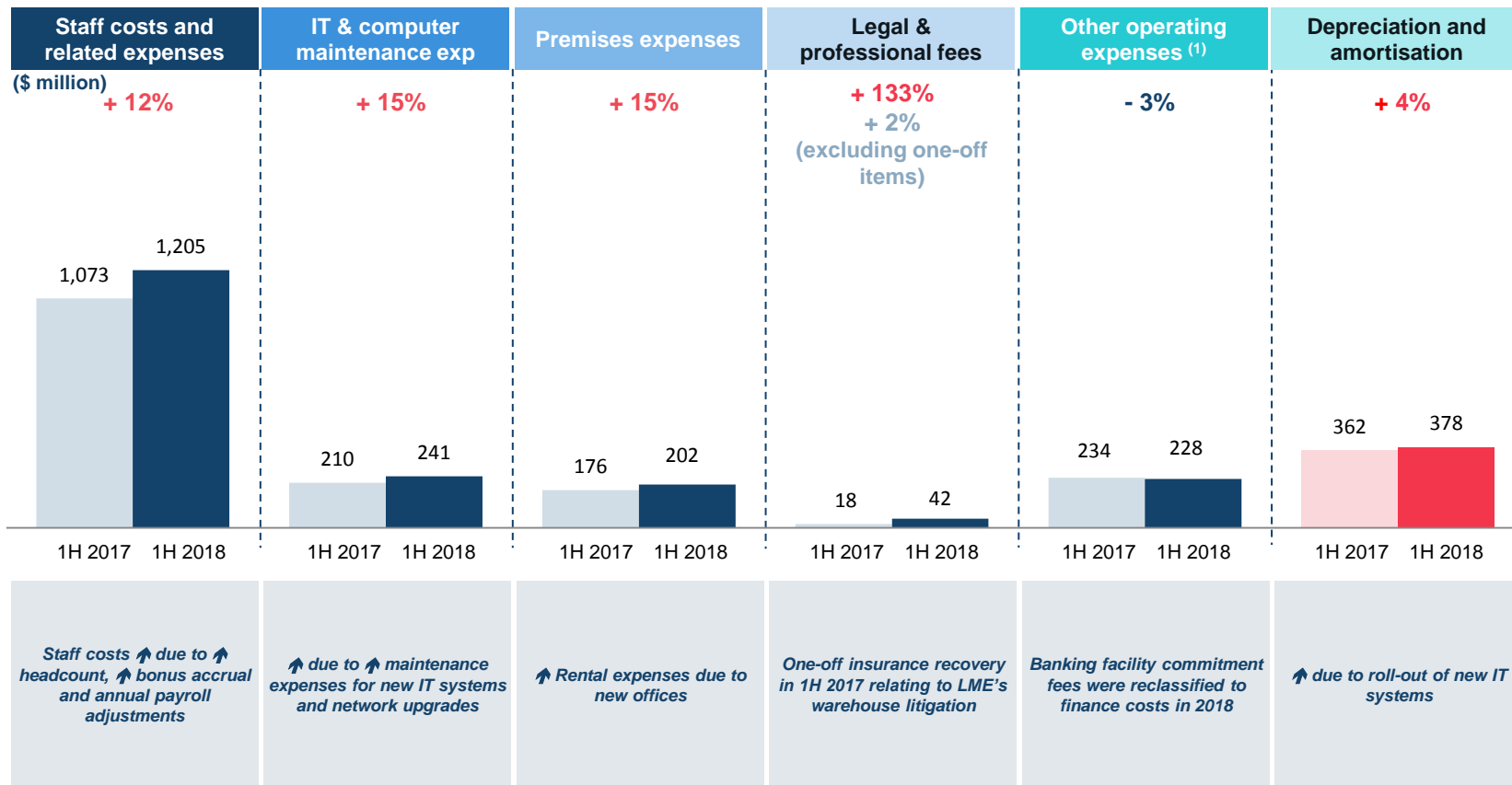


Performance by Operating Segment

EBITDA



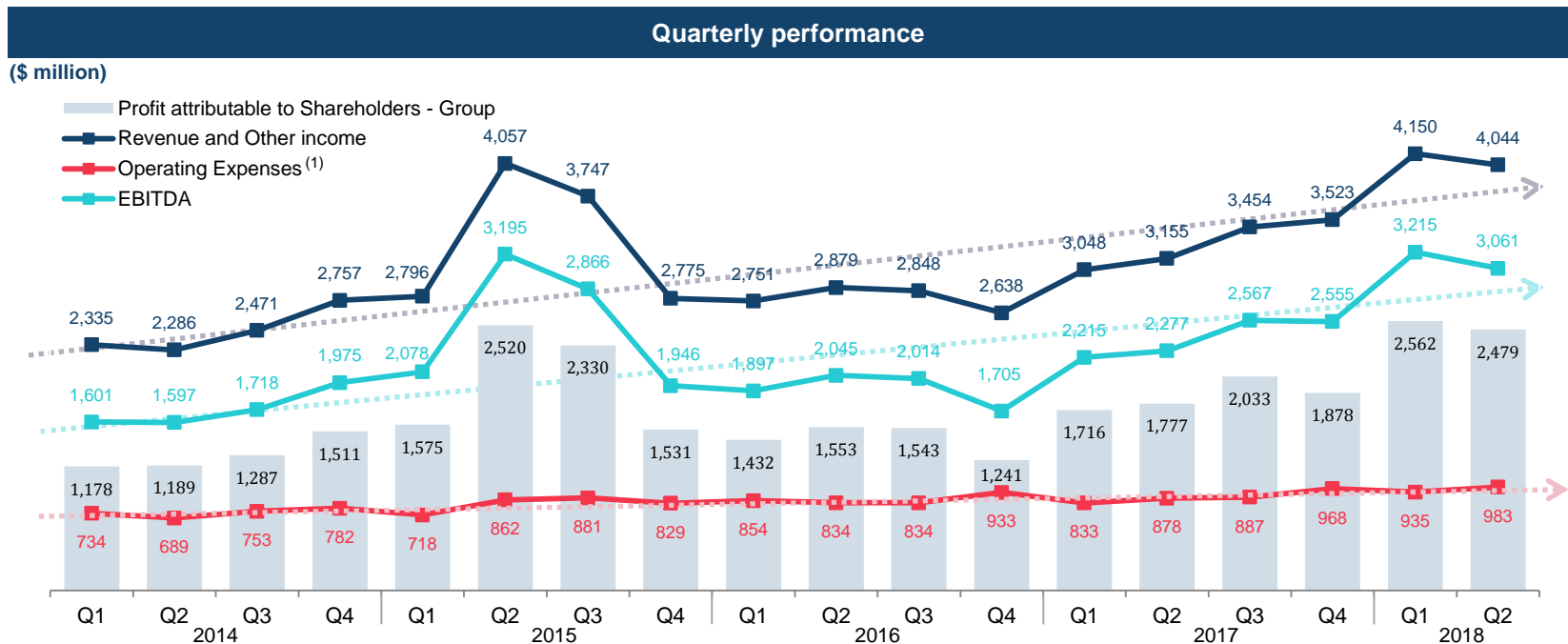
Operating Expenses and Depreciation & Amortisation



(1) Includes product marketing and promotion expenses



Quarterly Trend



**Record half-yearly revenue and PAT were achieved in 1H 2018
due to record high trading volumes**

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

(2) Dotted trend lines are illustrative and do not constitute a forward forecast



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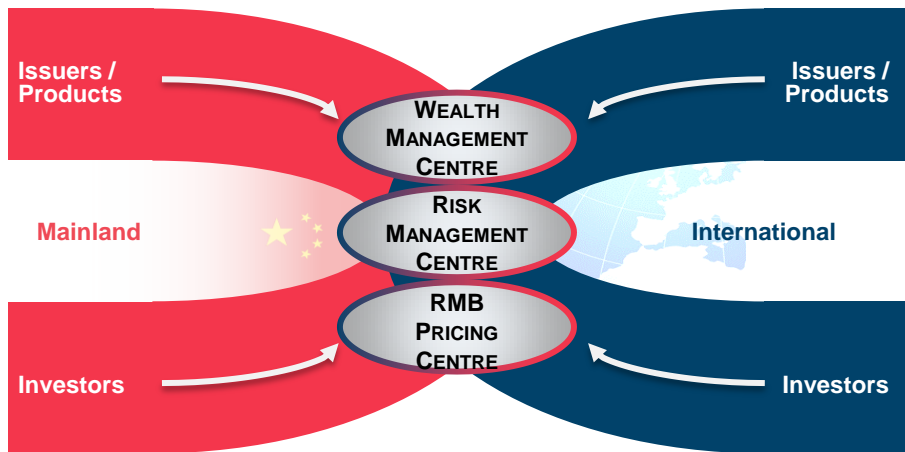
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Recap of HKEX's Strategic Vision

What is our long-term aspiration?



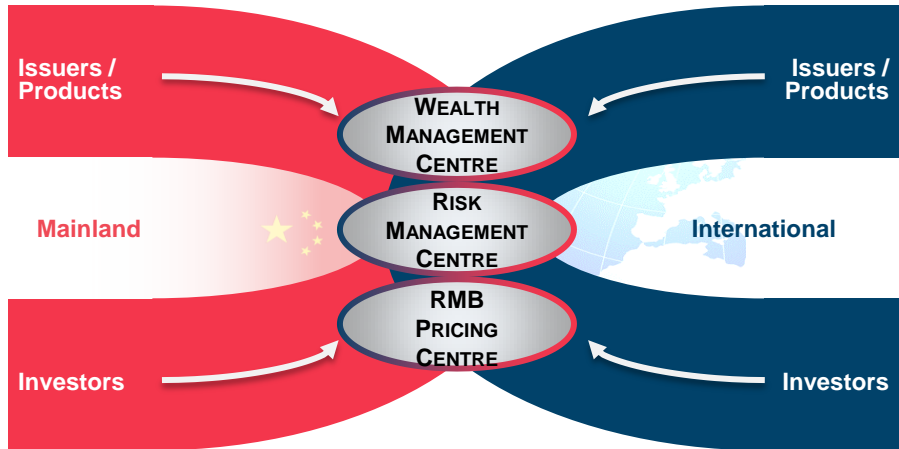
What have we achieved so far?

- 1 *Expanded our asset class reach*
- 2 *Created mutual market access channels*
- 3 *Reformed our listing regime*



Recap of HKEX's Strategic Vision

What is our long-term aspiration?



What is our strategic focus going forward?

- 1 *Expand international connectivity?*
- 2 *Continue to extend China connectivity?*
- 3 *Explore technological connectivity?*



Q & A



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Financial Highlights – Income Statement

(\$ million, unless stated otherwise)	1H 2018	% of Revenue & Other Income	1H 2017	% of Revenue & Other Income	Y-o-Y Change
Results					
Revenue and other income	8,194	100%	6,203	100%	32%
Operating expenses	(1,918)	(23%)	(1,711)	(28%)	12%
EBITDA	6,276	77%	4,492	72%	40%
Depreciation and amortisation	(378)	(5%)	(362)	(6%)	4%
Operating profit	5,898	72%	4,130	66%	43%
Finance costs and share of profits less losses of joint ventures	(51)	(1%)	(70)	(1%)	-27%
Profit before taxation	5,847	71%	4,060	65%	44%
Taxation	(822)	(10%)	(582)	(9%)	41%
Loss attributable to non-controlling interests	16	0%	15	0%	7%
Profit attributable to HKEX shareholders	5,041	61%	3,493	56%	44%
Basic earnings per share (HK\$)	\$4.07		\$2.86		42%
Average daily turnover on the Stock Exchange	\$126.6 bn		\$76.0 bn		67%
Capex	\$339 m		\$306 m		11%



Performance by Operating Segment – 1H 2018

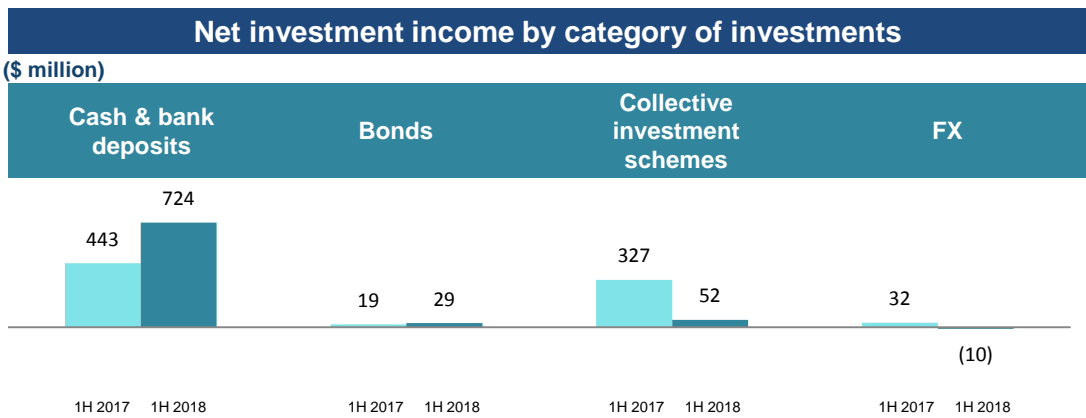
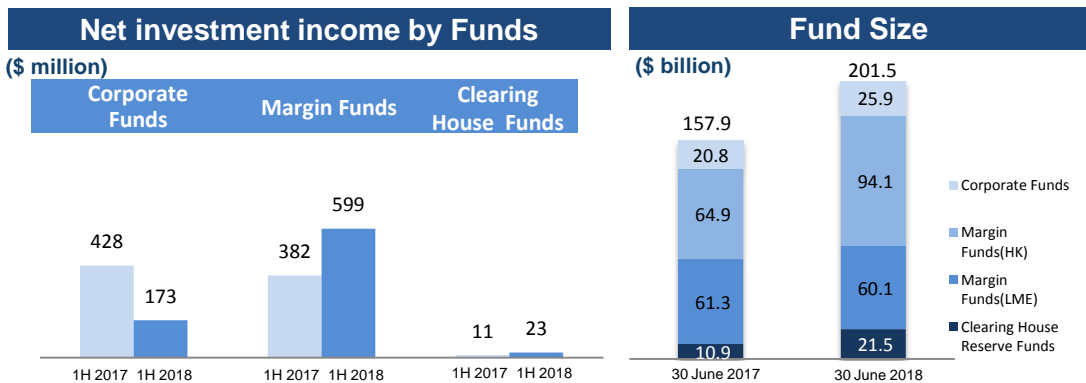
\$ million	Cash Equity	Equity & Financial Derivatives	Commodities	Clearing	Platform and Infrastructure	Corporate Items	Group 1H 2018	Group 1H 2017
Revenue and other income	2,099	1,734	706	3,140	327	188	8,194	6,203
<i>% of Group Total</i>	<i>26%</i>	<i>21%</i>	<i>9%</i>	<i>38%</i>	<i>4%</i>	<i>2%</i>	<i>100%</i>	<i>100%</i>
Operating expenses	(282)	(280)	(354)	(400)	(75)	(527)	(1,918)	(1,711)
EBITDA	1,817	1,454	352	2,740	252	(339)	6,276	4,492
<i>% of Group Total ⁽¹⁾</i>	<i>29%</i>	<i>23%</i>	<i>6%</i>	<i>44%</i>	<i>4%</i>	<i>(6%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin</i>	<i>87%</i>	<i>84%</i>	<i>50%</i>	<i>87%</i>	<i>77%</i>	<i>N/A</i>	<i>77%</i>	<i>72%</i>
Depreciation and amortisation	(40)	(36)	(147)	(101)	(18)	(36)	(378)	(362)
Finance costs	-	-	-	(16)	-	(39)	(55)	(65)
Share of profits less losses of joint ventures	8	(4)	-	-	-	-	4	(5)
Profit before taxation	1,785	1,414	205	2,623	234	(414)	5,847	4,060



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

Net investment income

1H 2018: Total \$795m; 1H 2017: Total \$821m



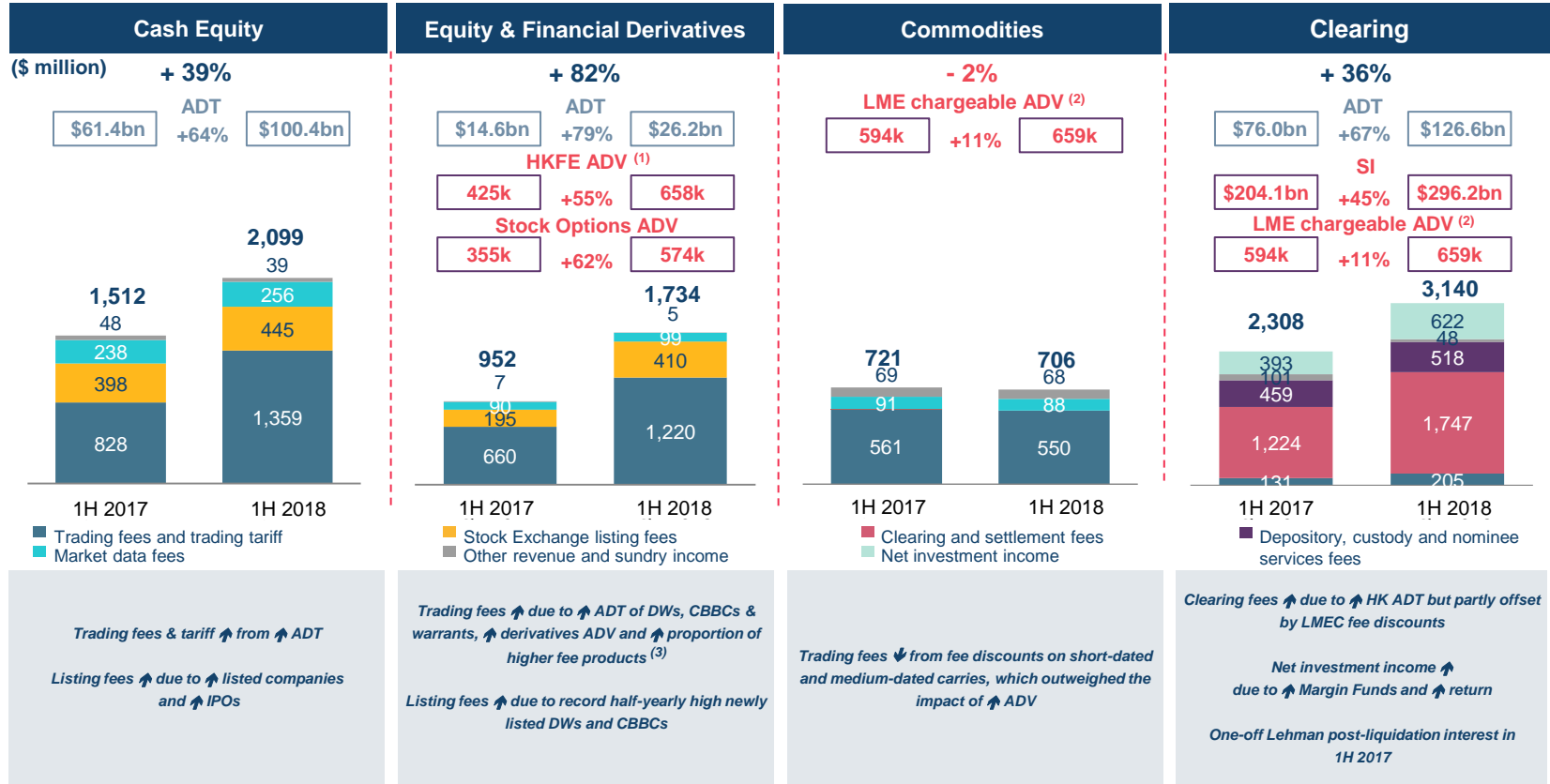
Net investment income for 1H 2018 decreased by 3% versus 1H 2017 mainly due to:

- 1) lower fair value gains of collective investment schemes
- 2) partly offset by higher net investment income on Margin Funds



Drivers of Trading and Clearing Revenue

Relationship between headline ADT and overall trading and clearing income is not linear



(1) Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures

(2) Total LME ADV: 764k (2017 1H: 598k)

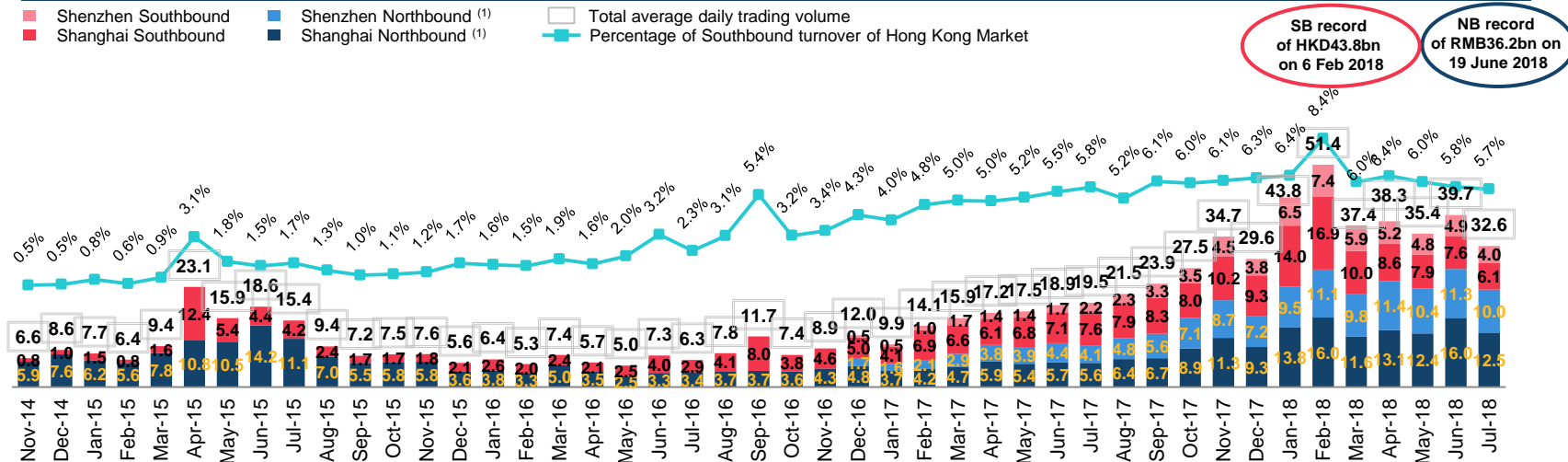
(3) A higher proportion of HSI products were traded and various stock options moved to a higher fee tier in 1H 2018



Stock Connect – Trading Trends

Stock Connect contributed \$365m in income in 1H 2018, 125% higher than 1H 2017

Stock Connect Average Daily Trading Volume (HKD bn)



- Northbound turnover exceeded Southbound most of the time
- 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; Daily quota quadrupled since 1 May 2018

Source: HKEX data as of 31 July 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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