



# HKEx Group 2013 Interim Results Announcement

15 August 2013

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The statements contained in this presentation that are not historical facts are forward-looking statements. These forward-looking statements are based on current expectations, estimates and projections about the financial markets in which HKEx will invest, and the beliefs and assumptions of HKEx. Words such as "expects", "targeted", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "forecasts", "projects", variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and returns may differ materially from what is expressed or forecasted in such forward-looking statements. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include, but are not limited to changes in economic conditions; changes in the level of capital investment; success of business and operating initiatives; changes in the regulatory environment; fluctuations in interest and exchange rates; the outcome of litigation; changes in political and economic stability; government actions; and natural phenomena such as floods, earthquakes and hurricanes. Other unknown or unpredictable factors could cause actual results or performance to differ materially from those in the forward-looking statements contained in this presentation. We caution that the foregoing list of important factors is not exhaustive.

**1 HKEx Group Business Review**

**2 HKEx Group Financial Review**

**3 Update on HKEx Group Strategic Plan 2013-2015**

**4 Appendix**

# 2013 1H – Highlights



**IPO funds raised increased by 29% year-on-year**

**Commodities trading on LME platform remained strong, volume up 9% from the same period last year**

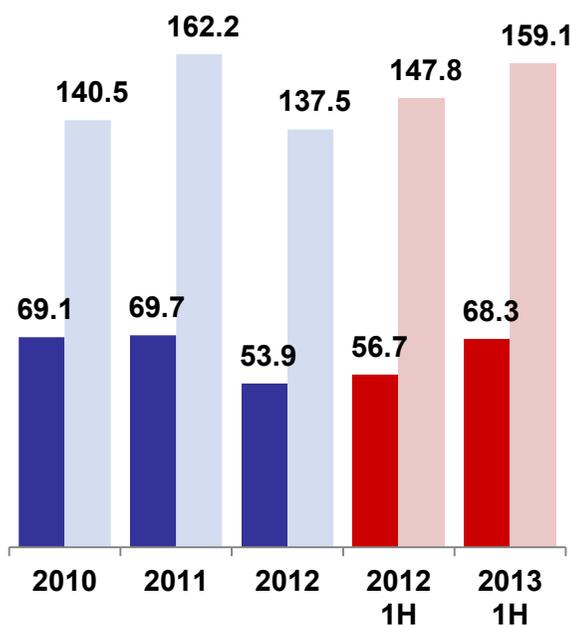
**Launched several derivatives initiatives: After-Hours Futures Trading, Stock Options Revamp, CES 120 Futures**

**Number of RMB products reached 89; Market RMB capability largely ready**

**Welcomed 12 OTC Clear founding shareholders, bringing us one step closer to the commencement of operations**

# 2013 1H Trading Trend

## Cash Market



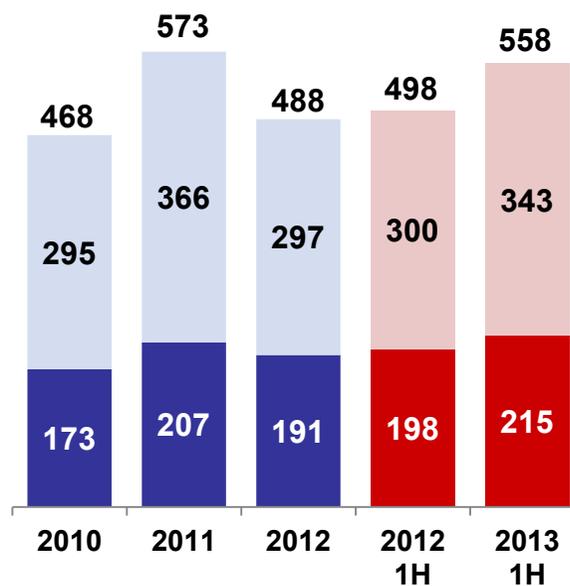
■ ■ ADT in billion \$

■ ■ ADT in billion shares

ADT in billion \$: ↑ 20.5%

## Derivatives Market

(In '000 contracts)



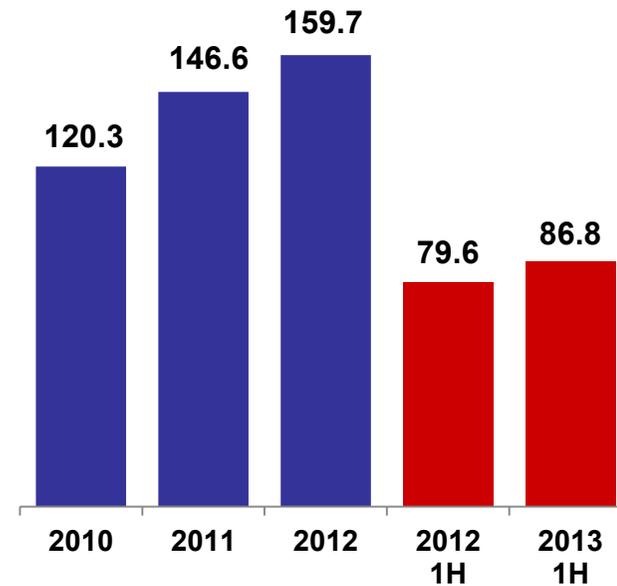
■ ■ Futures contracts traded (ADV)

■ ■ Options contracts traded (ADV)

Derivatives contracts: ↑ 12.0%

## Commodities

(in million lots)



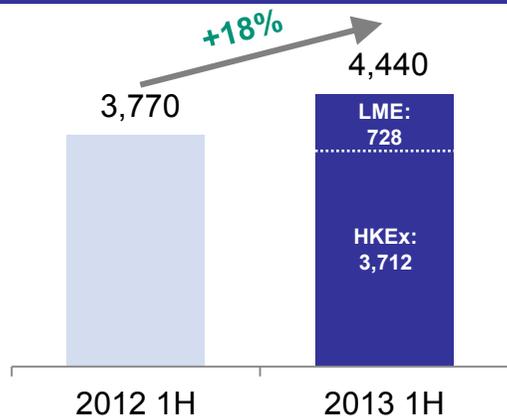
■ ■ Total volume traded

Commodities contracts: ↑ 9.0%

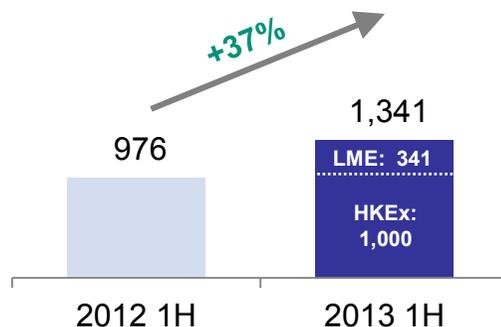
# 2013 1H Financial Performance

(\$ million)

## Revenue and Other Income



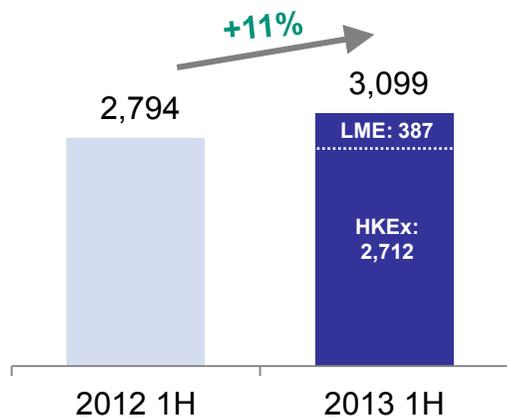
## Operating Expenses <sup>(1)</sup>



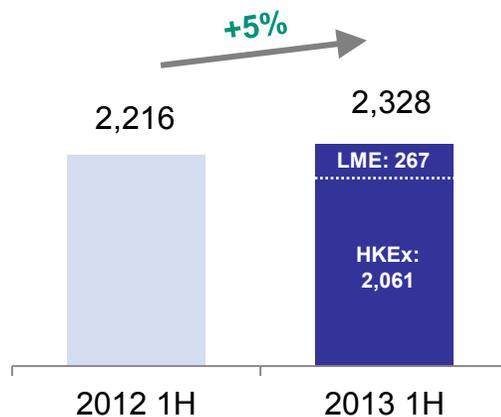
Revenue increased due to LME income ...

... while HKE ADT increase offset by drop in scrip fees and investment income

## EBITDA



## Profit Attributable to Shareholders



Opex increased due to LME

PAT growth affected by higher depreciation and amortisation

(1) Excludes depreciation and amortisation, costs relating to the acquisition of the LME Group, finance costs, and share of loss of a joint venture

1 HKEx Group Business Review

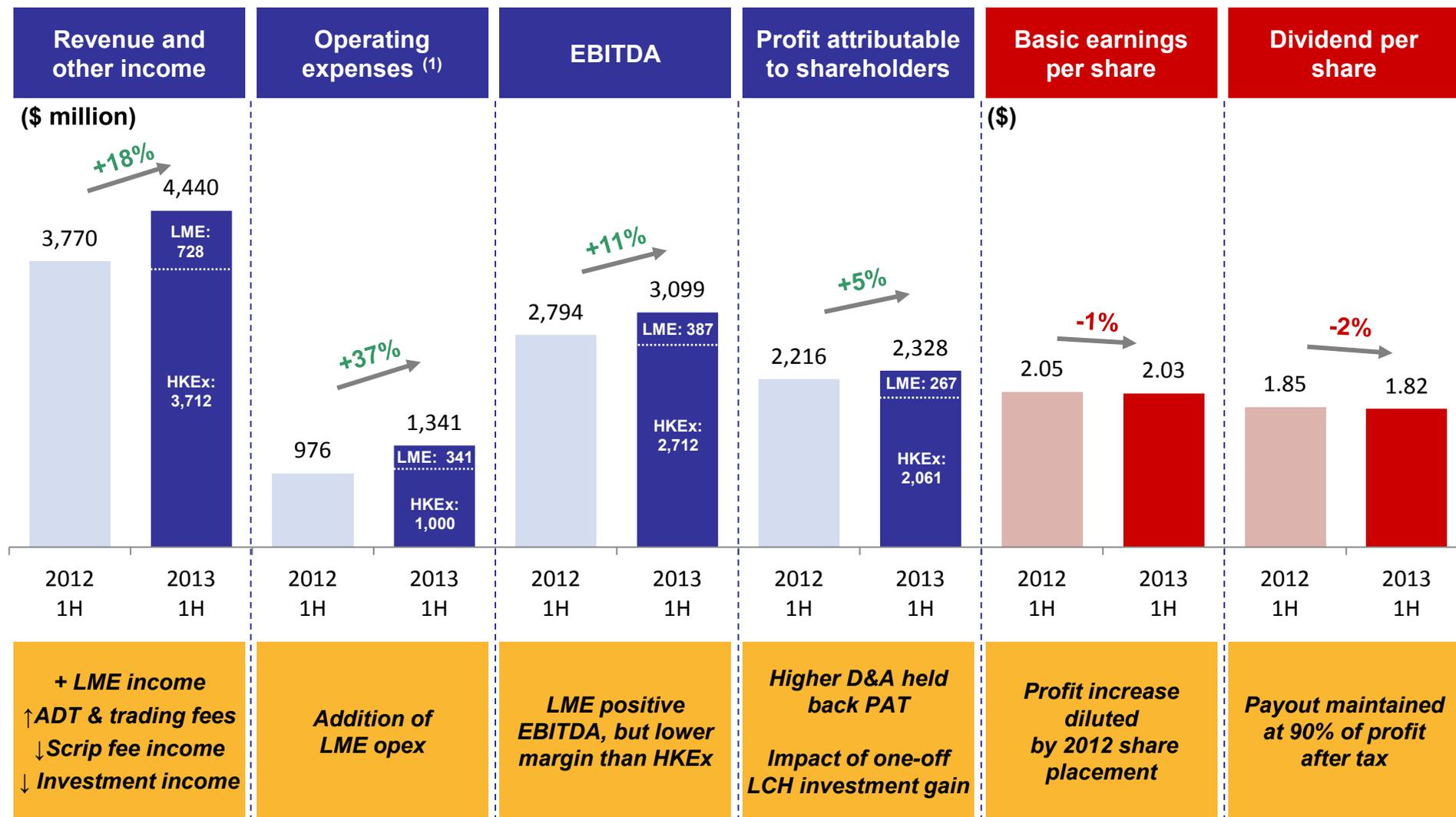
2 **HKEx Group Financial Review**

3 Update on HKEx Group Strategic Plan 2013-2015

4 Appendix

# 2013 Interim Results

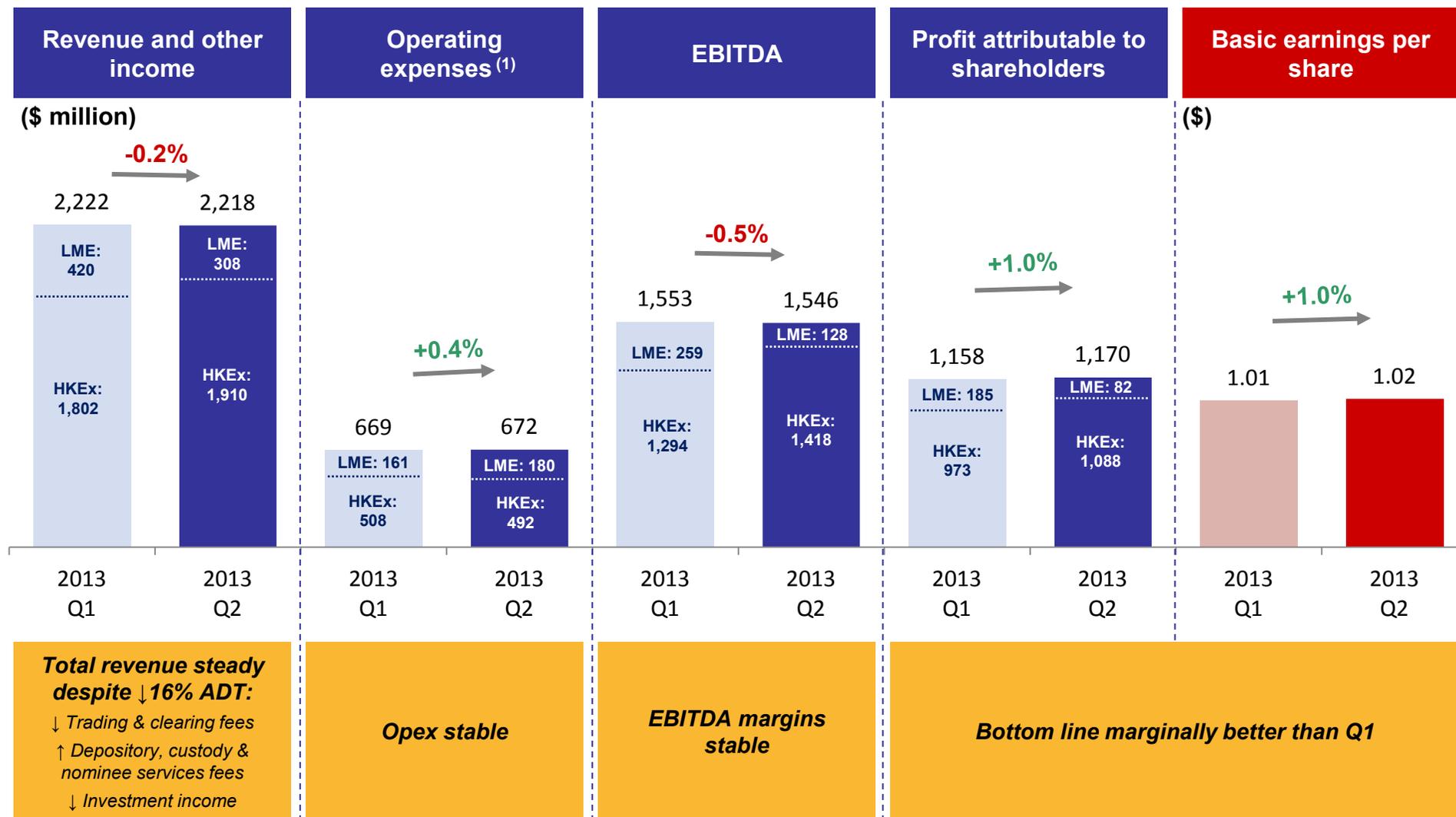
## No LME in 2012 1H



(1) Excludes depreciation and amortisation, costs relating to the acquisition of the LME Group, finance costs, and share of loss of a joint venture

# Quarterly Comparison

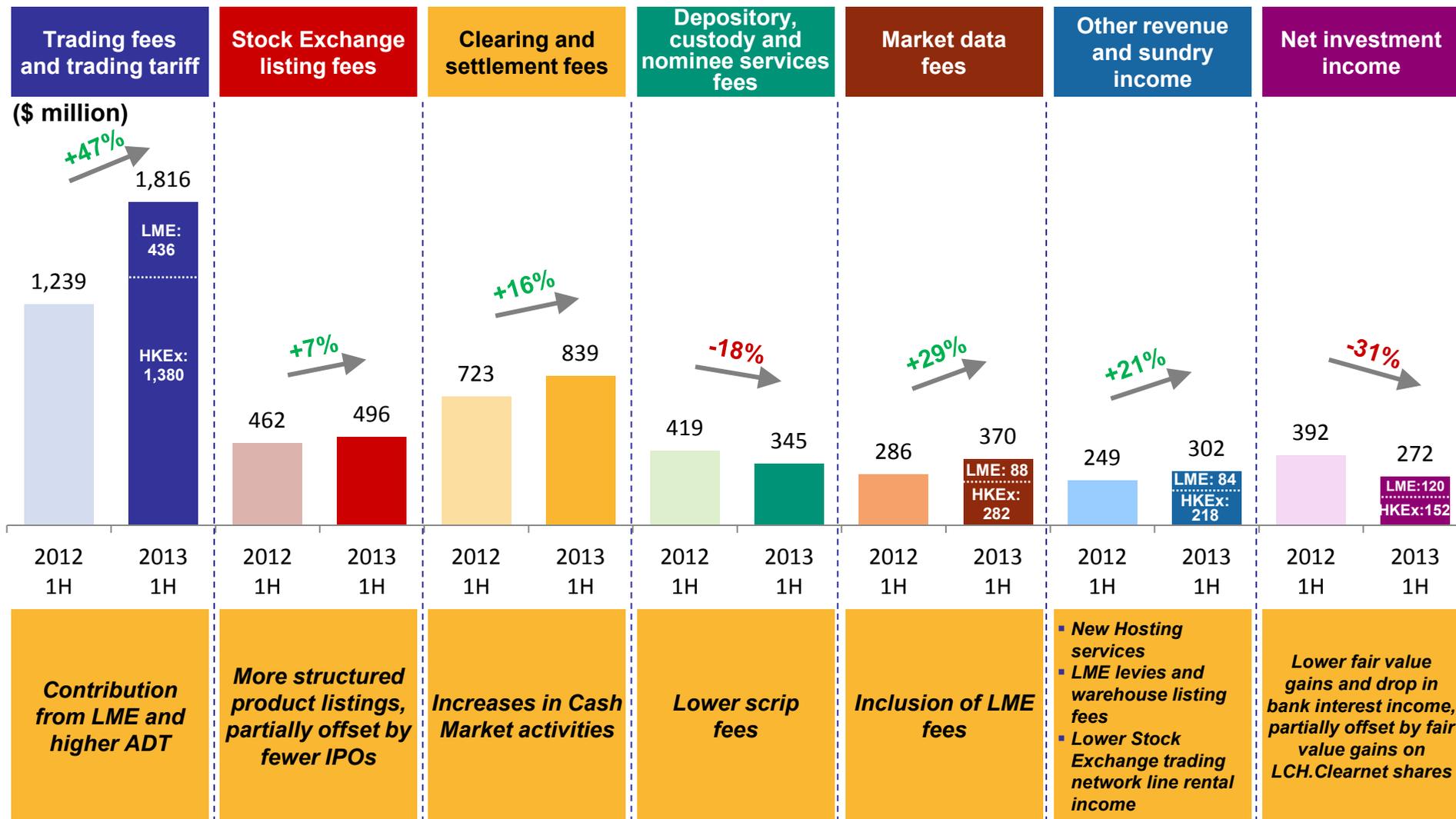
## Both quarters include LME



(1) Excludes depreciation and amortisation, costs relating to the acquisition of the LME Group, finance costs, and share of loss of a joint venture

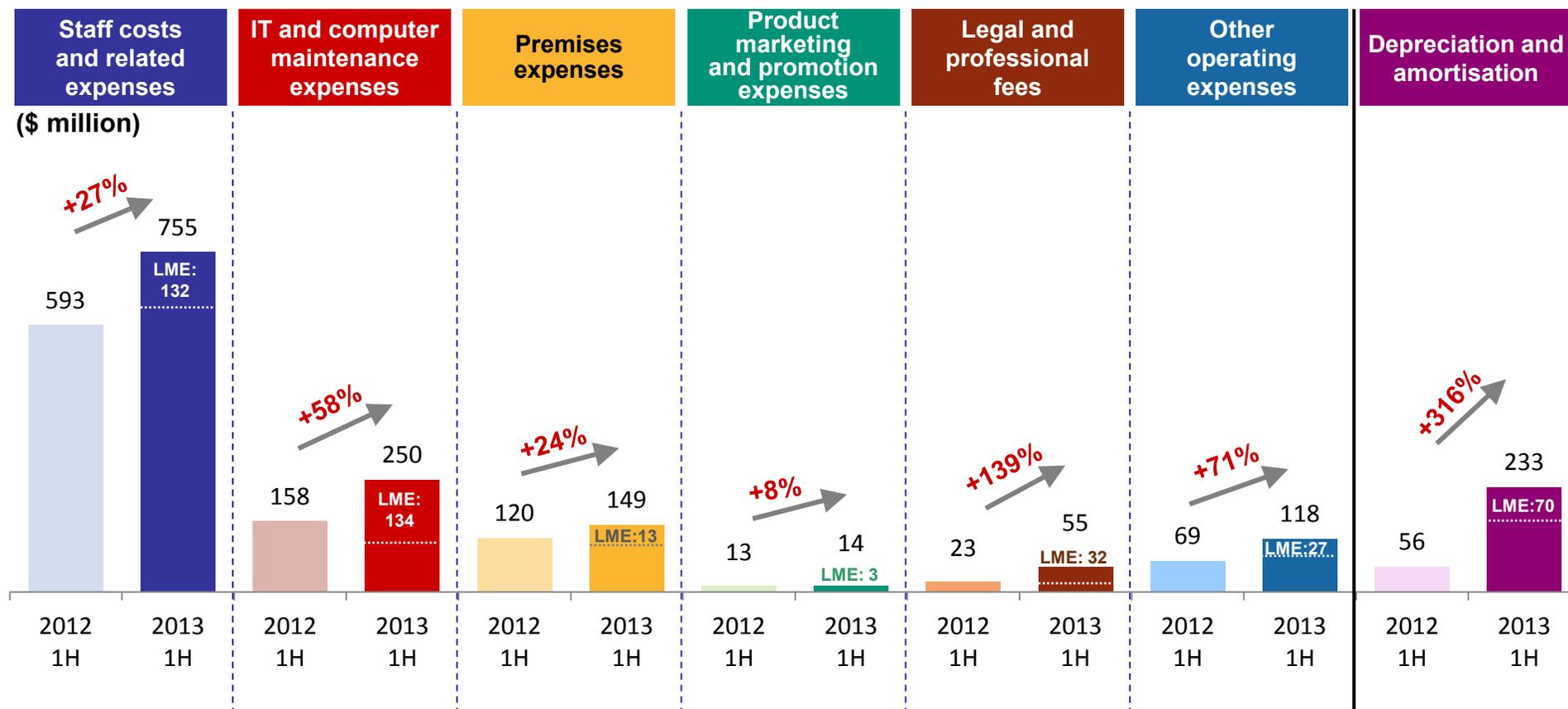
# 2013 Interim Results

## Revenue and Other Income



# 2013 Interim Results

## Operating Expenses and Depreciation & Amortisation (1)

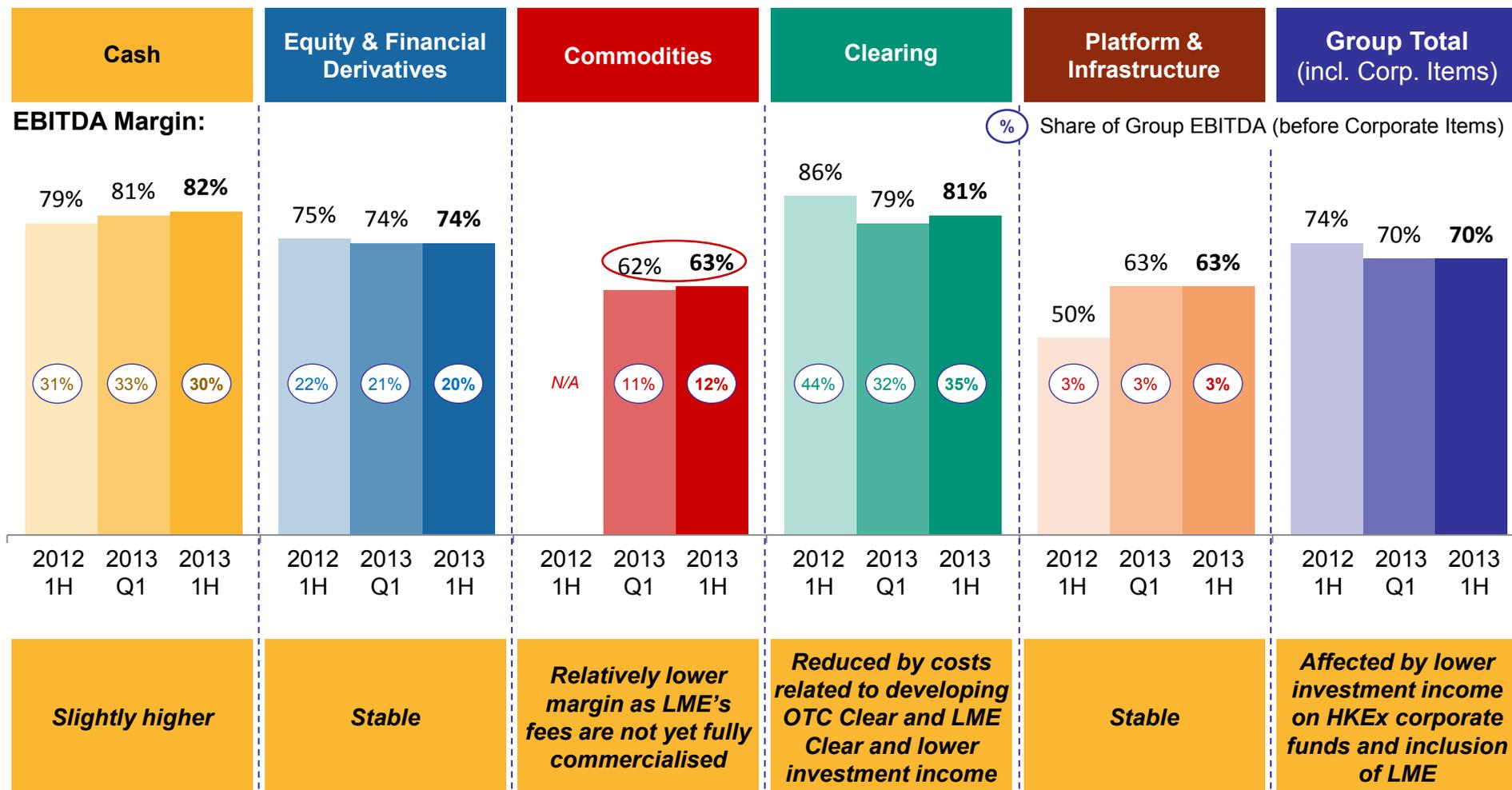


**Operating expenses increased due to inclusion of LME**  
**Excluding LME, HKEx operating expenses increased by only 2%**

Reflects completion of TKO centre, inclusion of LME and amortisation of intangibles

(1) Excludes costs relating to the acquisition of the LME Group, finance costs, and share of loss of a joint venture

# Performance by Operating Segment

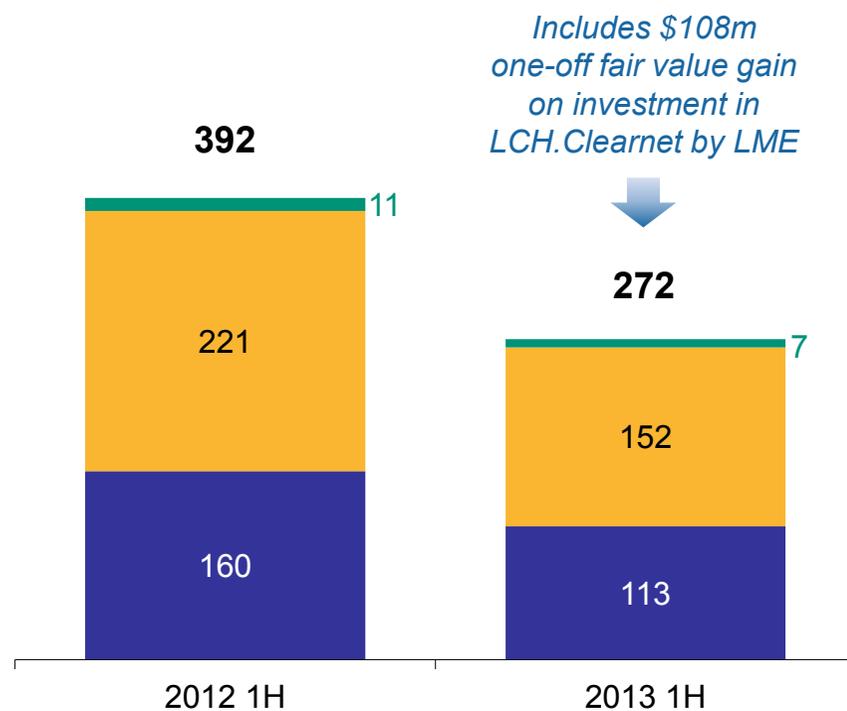


**EBITDA margin steady from Q1 but down vs. 1H 2012 mainly due to inclusion of LME**

# Net Investment Income by Funds

## Net Investment Income

(\$ million)



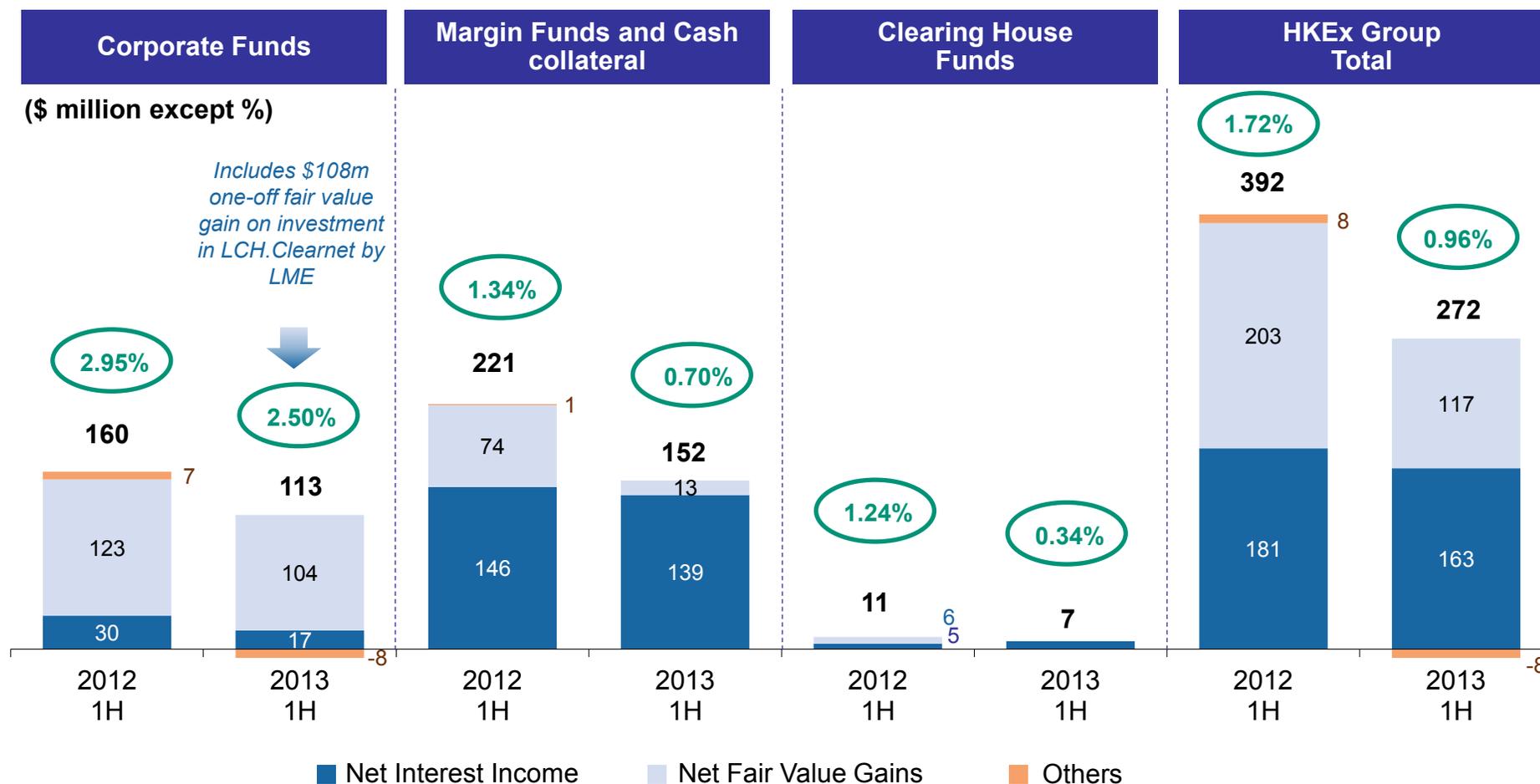
## Average Amount of Funds Available For Investment

(\$ billion)



■ Corporate Funds    
 ■ Margin Funds and cash collateral    
 ■ Clearing House Funds

# Net Investment Income and Return by Funds



**Lower short-term HK\$ interest rates → reduced returns on margin and clearing house funds**  
**Higher USD interest rate environment and wider credit spreads → poor fair value gains on fixed income portfolio**  
**Overall portfolio returns within market benchmarks**

# Quarterly Investment Return Comparisons

## HKEx Performance vs. Benchmarks

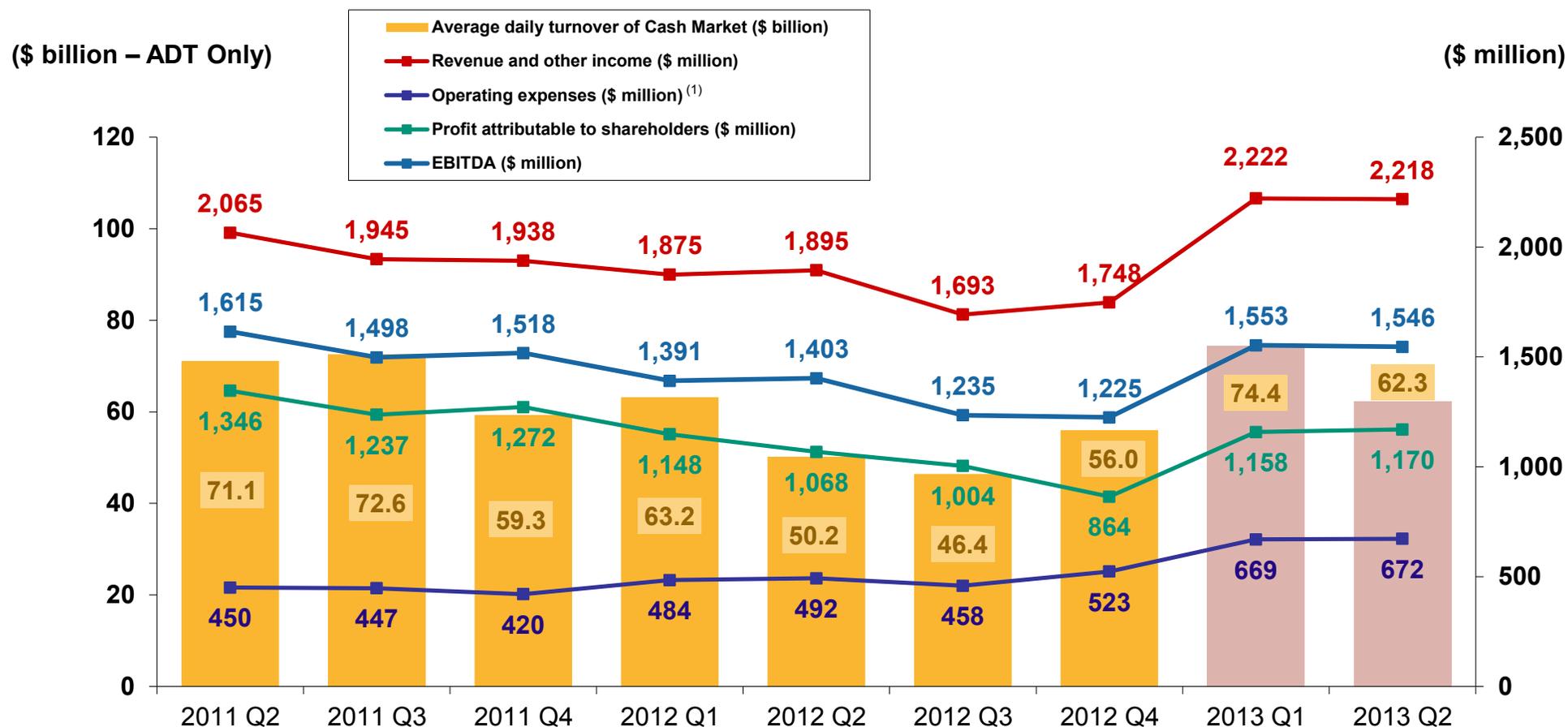


Fixed Income	2013 Q1	2013 Q2
HKEx	0.73%	-0.57%
BofA Merrill Lynch 1-5yr Global Bond	0.33%	-0.58%
HSBC Local Ccy Bond (Overall 1-5yr in HK\$)	-0.30%	-1.20%
Barclays Global Aggregate	-2.50%	-1.10%

Equity	2013 Q1	2013 Q2
S&P	8.95%	2.36%
MSCI World	6.55%	-0.16%
HKEx	7.98%	-0.41%
MSCI Asia	5.47%	-2.73%

**Both Q1 and Q2 portfolio investment performance within benchmark range**

# Quarterly Results Trend Summary



**All measures have risen in 2013 due to contribution from LME Group.  
Trend line positive but like with like comparison with prior years is difficult**

(1) Excludes depreciation and amortisation, costs relating to the acquisition of the LME Group, finance costs, and share of loss of a joint venture

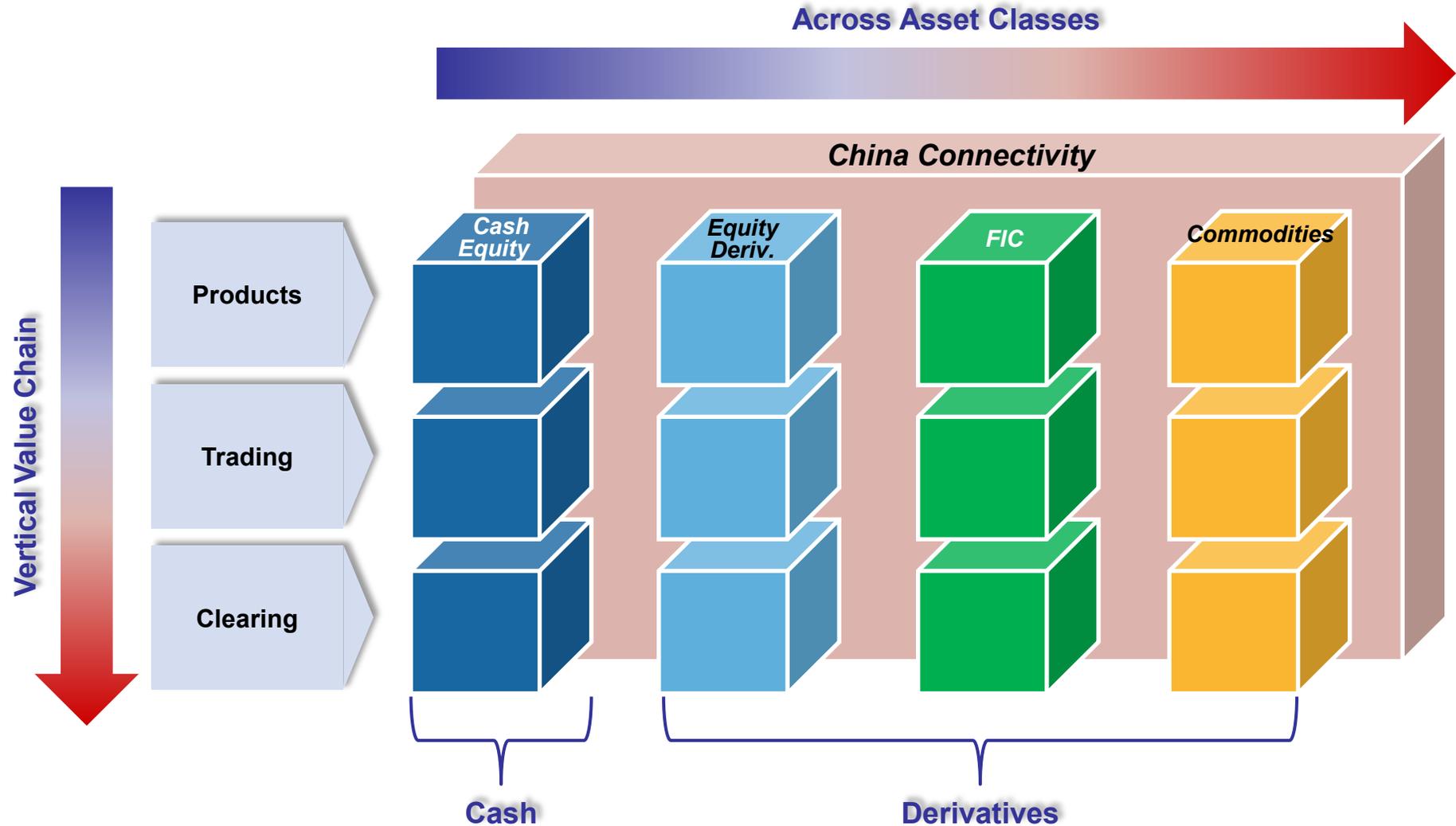
1 HKEx Group Business Review

2 HKEx Group Financial Review

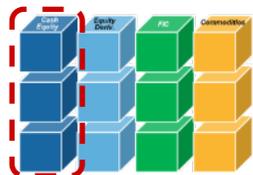
**3 Update on HKEx Group Strategic Plan 2013-2015**

4 Appendix

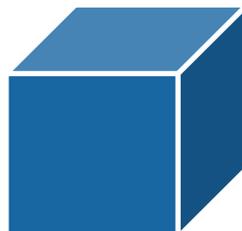
# HKEx Group Business Strategy = Horizontal Asset Classes + Full Vertical Integration



# Cash Equity – Building RMB Capability and Mainland Connectivity

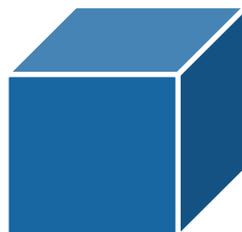


## Products



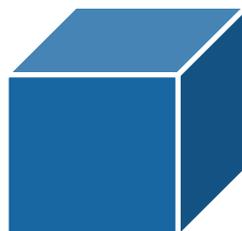
- IPO funds raised up 29% y-o-y
- RMB products increased to 89 by 1H 2013
- ETFs trading up 166% y-o-y, accounting for 6.7% of ADT in 1H 2013 vs. 3.9% in 2012
- CES A80 and CES HKMI launched

## Trading



- 445 EPs are RMB ready
- Mutual market access: Started feasibility study

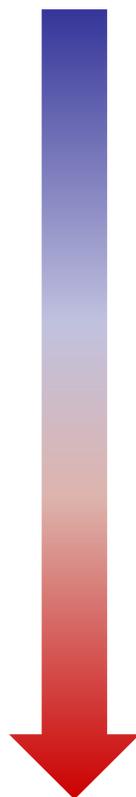
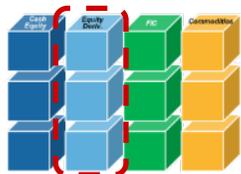
## Clearing



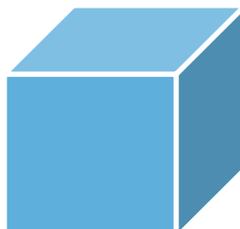
- Cross-border clearing infrastructure: Started feasibility study
- 462 CPs are RMB ready
- IOSCO compliance: Conducted internal assessment

***Mature business with potential structural uplift from RMB internationalisation and Mainland's opening up***

# Equity Derivatives – Launched Several New Initiatives

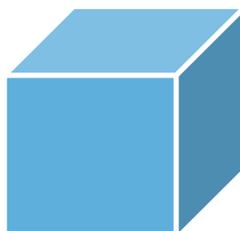


## Products



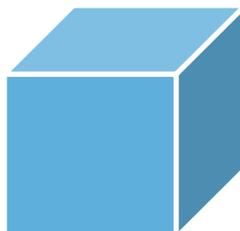
- **CES 120 futures** launched on 12 August 2013
- **5 New Stock Options Classes** launched on 5 August 2013

## Trading



- **After-hours futures trading**
  - Included HSI futures and H-shares index futures
  - Accounts for approximately **3% of day session's trading volume**
  - Plan to add other products and asset classes in the future
- **Stock options revamp**: reduced trading fees, enhanced market making, additional expiry month, and market data fee waiver

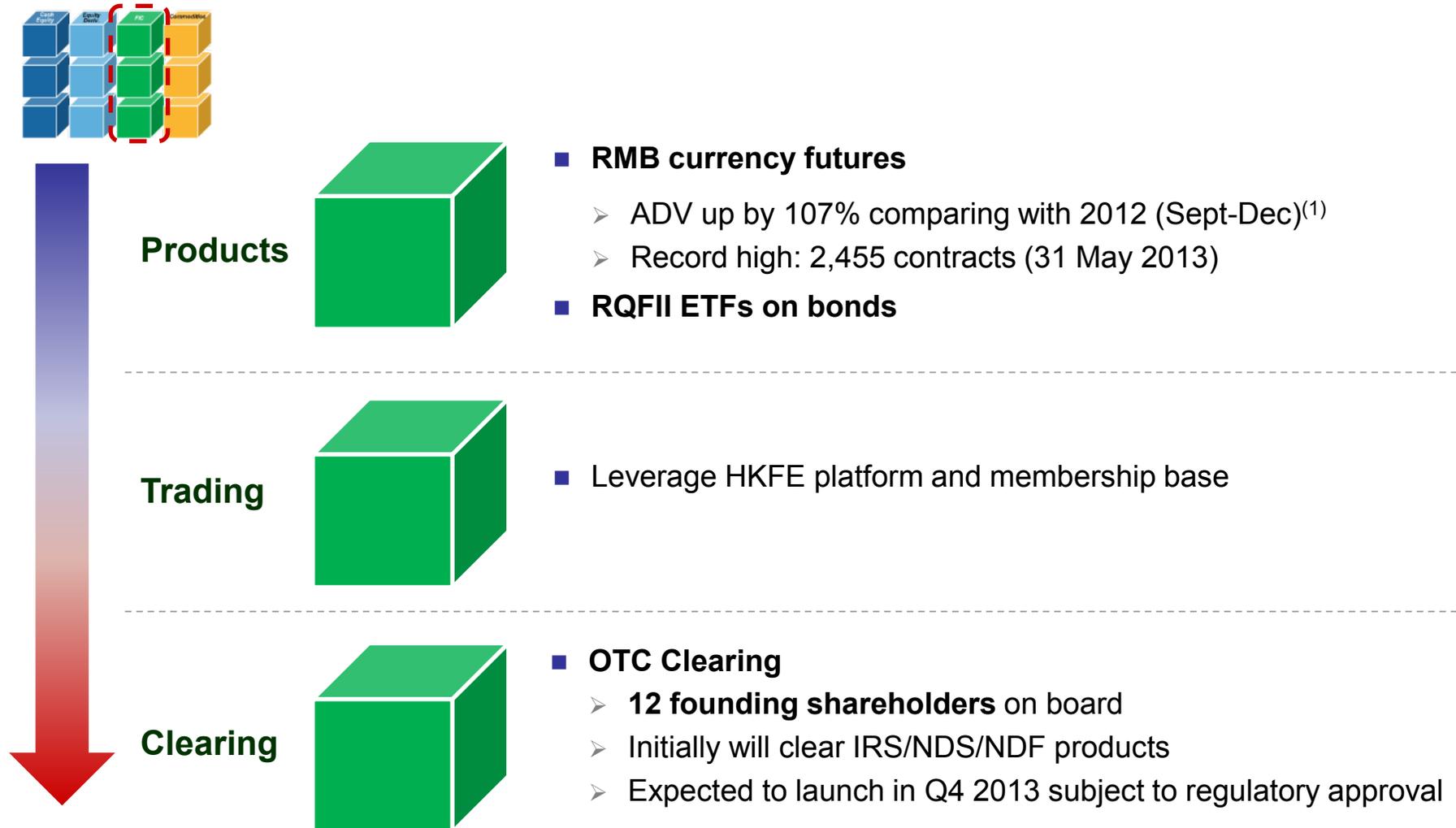
## Clearing



- Developing HKCC infrastructure to accommodate new asset classes (FIC, Commodities)

**Maintain advantage through product innovation and market infrastructure improvement**

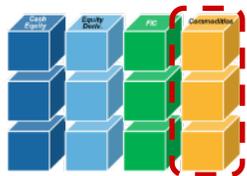
# Fixed Income and Currency – Early Stage of Development



**RMB internationalisation and new development in global regulations as key drivers**

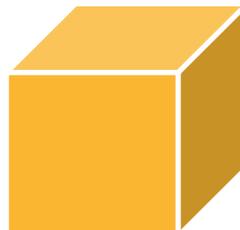
(1) Launched on 17 September 2012; ADV comparison based on ADV during 17 September and 31 December 2012, and 2013 YTD ADV

# Commodities – Strong Volume Growth Continues



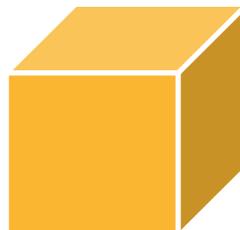
## Commercialisation

### Products



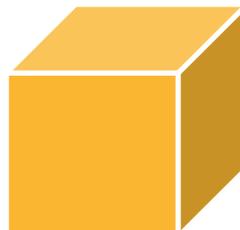
- Trading momentum at the LME continues
  - Aluminium: up by 14%
  - Copper: up by 6%
  - Zinc: up by 7%
  - Tin: up by 19%
  - Nickel: up by 23%
  - Cobalt: up by 21%

### Trading



- Strengthened **LME's Asia Benchmark Price**
- Approved **Taiwan Kaohsiung** as a good delivery point for warehouses
- **LME Week Asia** held in June 2013 in HK
- **Trade Repository**: in progress and expected to launch in 2014

### Clearing



- **LME Clear**
  - Core technology development on schedule
  - Fully compliant with EMIR
  - Exit and transfer from LCH.Clearnet in progress

***LME volume reached record high; Asia Commodities being implemented;  
LME Clear in progress***



## Highlights

- First LME Week Asia in HK
- Attracted over 900 metals industry participants
- 5 days of events including seminars, gala dinner and workshops
- Signature annual forum for commodities industry in Asia

# Platform and Infrastructure Update



## Platforms

### Orion Market Data

- Readiness test completed
- To launch for **Cash Market** in Q3 2013

### Genium (Derivatives Platform)

- **Migration implementation** at final stage
- To complete by 2013

### OTC Clear

- Building with **Calypso**
- To launch in Q4 2013

### LME Clear

- Building with **Cinnober**
- To launch in September 2014

## Infrastructure & Resources

### Data Centre

- Migration of **Derivatives Market Data Centre** to TKO in May 2013
- **Hosting Services:**
  - Added Derivatives Market members
  - Accounts for **25%** and **40%** for Cash and Derivatives turnover respectively<sup>(1)</sup>

### Access

- **Orion Central Gateway:** Testing in progress; To launch for Cash Market in Q1 2014
- **SDNet/2:** Extended to Derivatives Market

### Connectivity

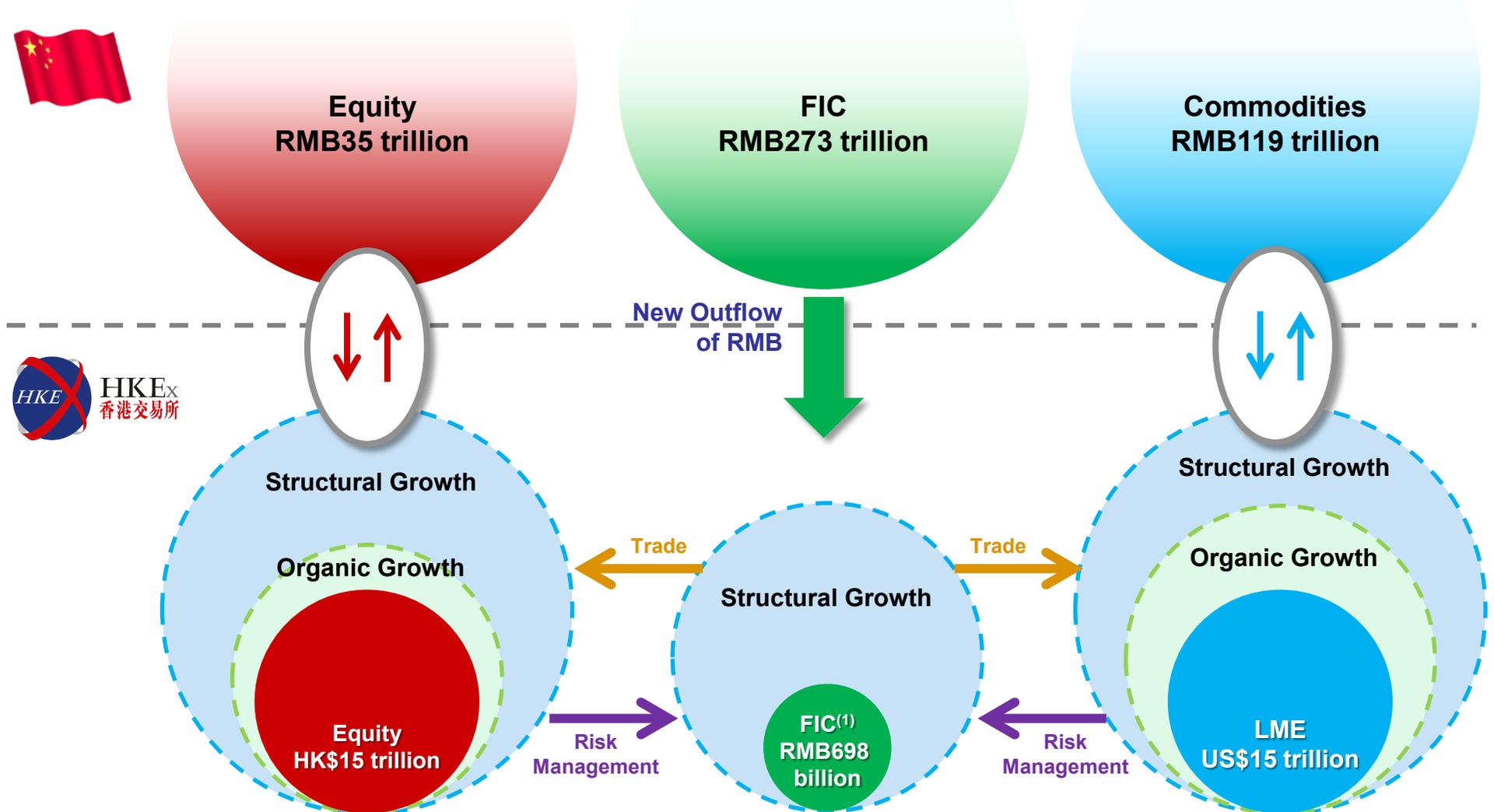
- **Mainland Market Data Hub:** Ready for client system testing
- **Mainland Connectivity:** Started feasibility study

### Resources

- Explore **Mainland Technology Centre**

(1) For the first six months of 2013

# Leverage LME as a Catalyst to Facilitate an Accelerated Capital Account Opening



(1) All numbers refer to trading turnover between July 2012 and June 2013, except FIC HK which refers to RMB deposit in Hong Kong as of 30 June 2013

# Q & A

HKEx Group Website: [www.hkexgroup.com](http://www.hkexgroup.com)  
HKExnews Website: [www.hkexnews.hk](http://www.hkexnews.hk)

# Agenda



1 HKEx Group Business Review

2 HKEx Group Financial Review

3 Update on HKEx Group Strategic Plan 2013-2015

4 **Appendix**

# Financial Highlights – Income Statement

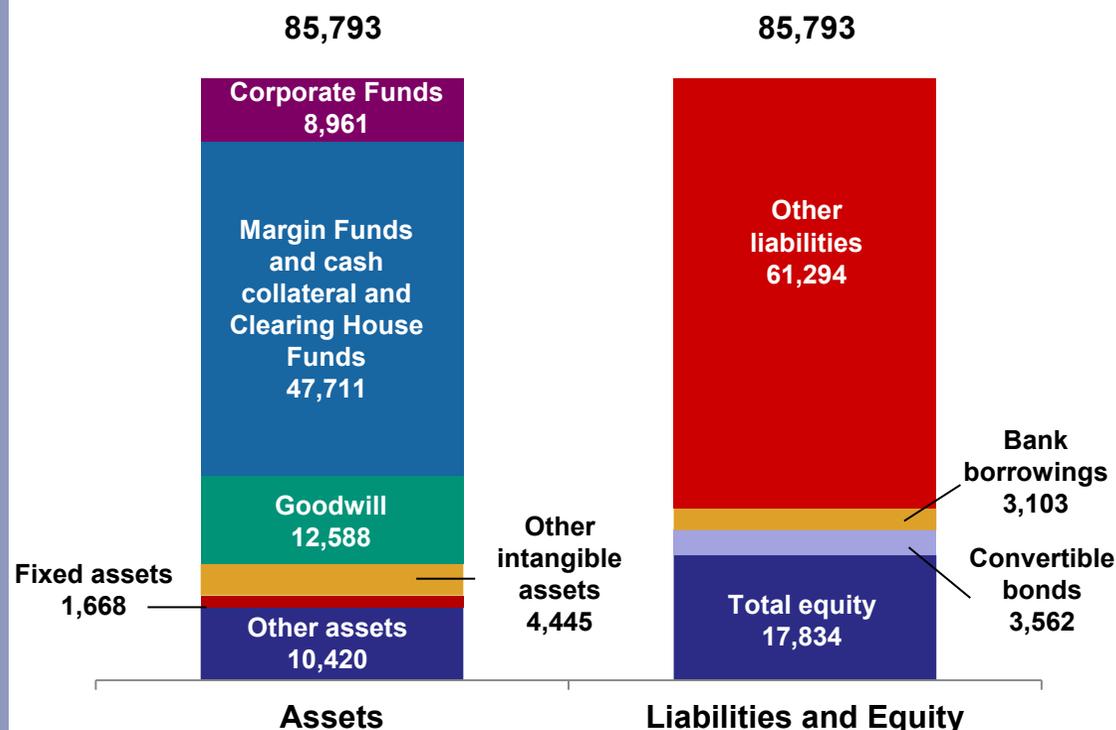


(\$ million, unless stated otherwise)	2013 1H	% of revenue & other income	2012 1H	% of revenue & other income	Y-o-Y change
<b>Results</b>					
Revenue and other income	4,440	100%	3,770	100%	18%
Operating expenses	(1,341)	(30%)	(976)	(26%)	37%
<b>EBITDA</b>	<b>3,099</b>	<b>70%</b>	<b>2,794</b>	<b>74%</b>	<b>11%</b>
Depreciation and amortisation	(233)	(5%)	(56)	(1%)	316%
<b>Operating profit</b>	<b>2,866</b>	<b>65%</b>	<b>2,738</b>	<b>73%</b>	<b>5%</b>
Costs relating to acquisition of LME Group	-	-	(110)	(3%)	(100%)
Finance costs	(92)	(2%)	-	-	N/A
Share of loss of a joint venture	(4)	(0%)	-	-	N/A
<b>Profit before taxation</b>	<b>2,770</b>	<b>62%</b>	<b>2,628</b>	<b>70%</b>	<b>5%</b>
Taxation	(442)	(10%)	(412)	(11%)	7%
<b>Profit attributable to shareholders</b>	<b>2,328</b>	<b>52%</b>	<b>2,216</b>	<b>59%</b>	<b>5%</b>
Basic earnings per share	\$2.03		\$2.05		(1%)
Diluted earnings per share	\$2.02		\$2.04		(1%)
<b>Average daily turnover of Cash Market</b>	<b>\$68.3 billion</b>		<b>\$56.7 billion</b>		<b>20%</b>
<b>Capex</b>	<b>277</b>		<b>572</b>		<b>(52%)</b>

# Financial Highlights – Balance Sheet



(\$ million, except %)  
As at 30 June 2013



Leverage Ratios	
Total Debt	6,665
Net Debt <sup>(1)</sup>	454
Total Debt / Assets	8%
Total Debt / Equity	37%
Total Debt / EBITDA (annualised)	1.1x
Net Debt / Equity	3%

**Acquisition of the LME has created Goodwill on Balance Sheet  
Leverage ratios well within targeted ranges**

(1) Net Debt equals total borrowings minus cash and cash equivalents of Corporate Funds

# Performance by Operating Segment, 2013 1H



\$ million	Cash	Equity & Financial Derivatives	Commodities	Clearing	Platform and Infrastructure	Corporate Items	Group 2013 1H	As restated Group 2012 1H
Revenue from external customers	1,233	870	608	1,282	168	2	4,163	3,373
Net investment income	-	-	-	159	-	113	272	392
Sundry income	-	-	-	5	-	-	5	5
<b>Revenue and other income</b>	<b>1,233</b>	<b>870</b>	<b>608</b>	<b>1,446</b>	<b>168</b>	<b>115</b>	<b>4,440</b>	<b>3,770</b>
<i>% of Group Total</i>	<i>27.8%</i>	<i>19.6%</i>	<i>13.7%</i>	<i>32.5%</i>	<i>3.8%</i>	<i>2.6%</i>	<i>100%</i>	<i>100%</i>
Operating expenses	(227)	(222)	(224)	(277)	(63)	(328)	(1,341)	(976)
<b>EBITDA</b>	<b>1,006</b>	<b>648</b>	<b>384</b>	<b>1,169</b>	<b>105</b>	<b>(213)</b>	<b>3,099</b>	<b>2,794</b>
<i>% of Group Total <sup>(1)</sup></i>	<i>32.5%</i>	<i>20.9%</i>	<i>12.4%</i>	<i>37.7%</i>	<i>3.4%</i>	<i>(6.9%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin</i>	<i>81.6%</i>	<i>74.5%</i>	<i>63.2%</i>	<i>80.8%</i>	<i>62.5%</i>	<i>(185.2%)</i>	<i>69.8%</i>	<i>74.1%</i>
Depreciation and amortisation	(24)	(21)	(132)	(29)	(19)	(8)	(233)	(56)
Costs relating to LME acquisition	-	-	-	-	-	-	-	(110)
Finance costs	-	-	-	-	-	(92)	(92)	-
Share of loss of a joint venture	-	(4)	-	-	-	-	(4)	-
<b>Profit before taxation</b>	<b>982</b>	<b>623</b>	<b>252</b>	<b>1,140</b>	<b>86</b>	<b>(313)</b>	<b>2,770</b>	<b>2,628</b>

**LME's results are included under 'Commodities', 'Clearing' and 'Corporate Items'**

Note:

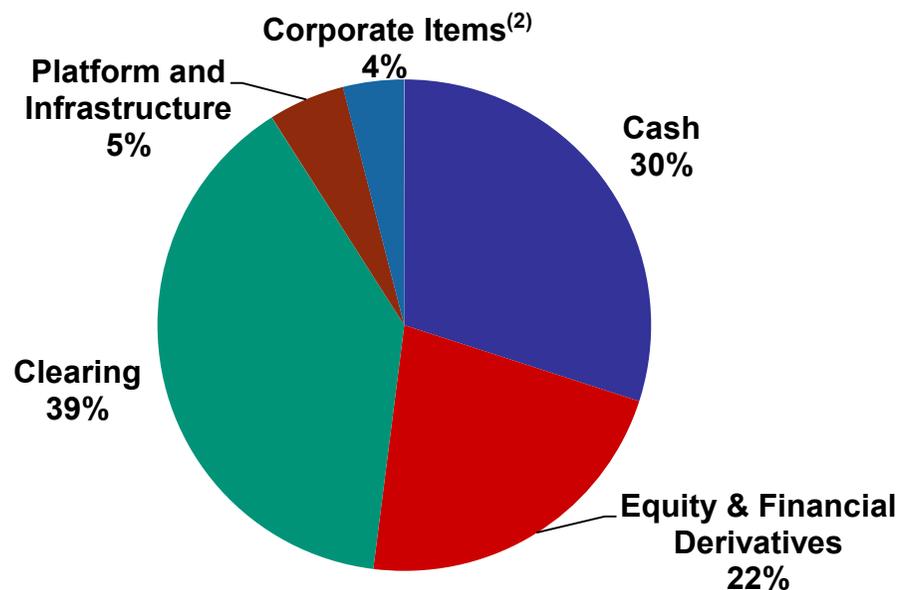
(1) % Share of Group EBITDA (including Corporate Items)

(2) Please refer to Note 2 to the Condensed Consolidated Financial Statements (Unaudited) in the 2013 Interim Results Announcement for the 2013 1H and 2012 1H operating segment analysis

## Revenue Contribution by Business Segments<sup>(1)</sup>

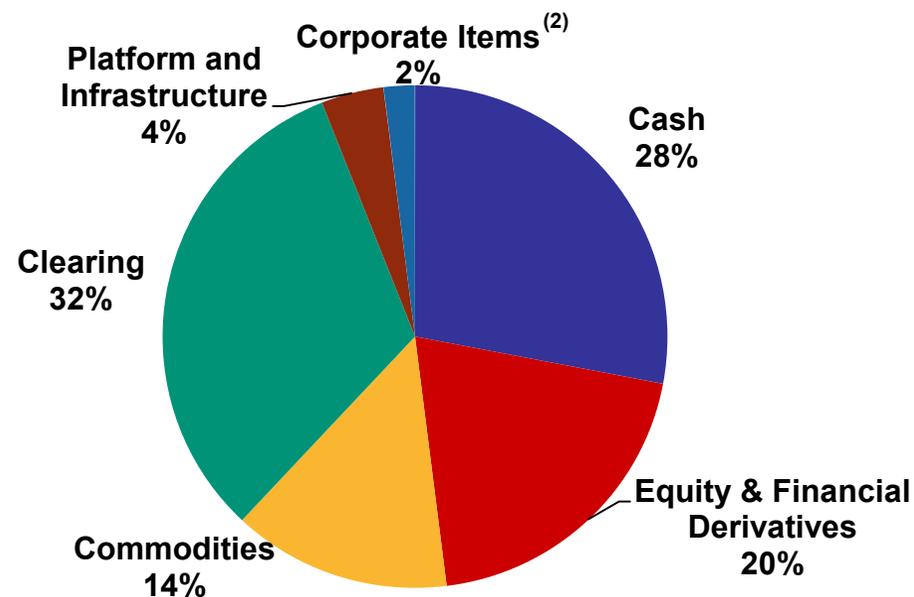
2012 1H

Total revenue and other income = \$3,770m



2013 1H

Total revenue and other income = \$4,440m



**Vertically integrated model with further diversified sources of revenue following the acquisition of the LME Group**

(1) Comprises revenue from external customers, net investment income and sundry income

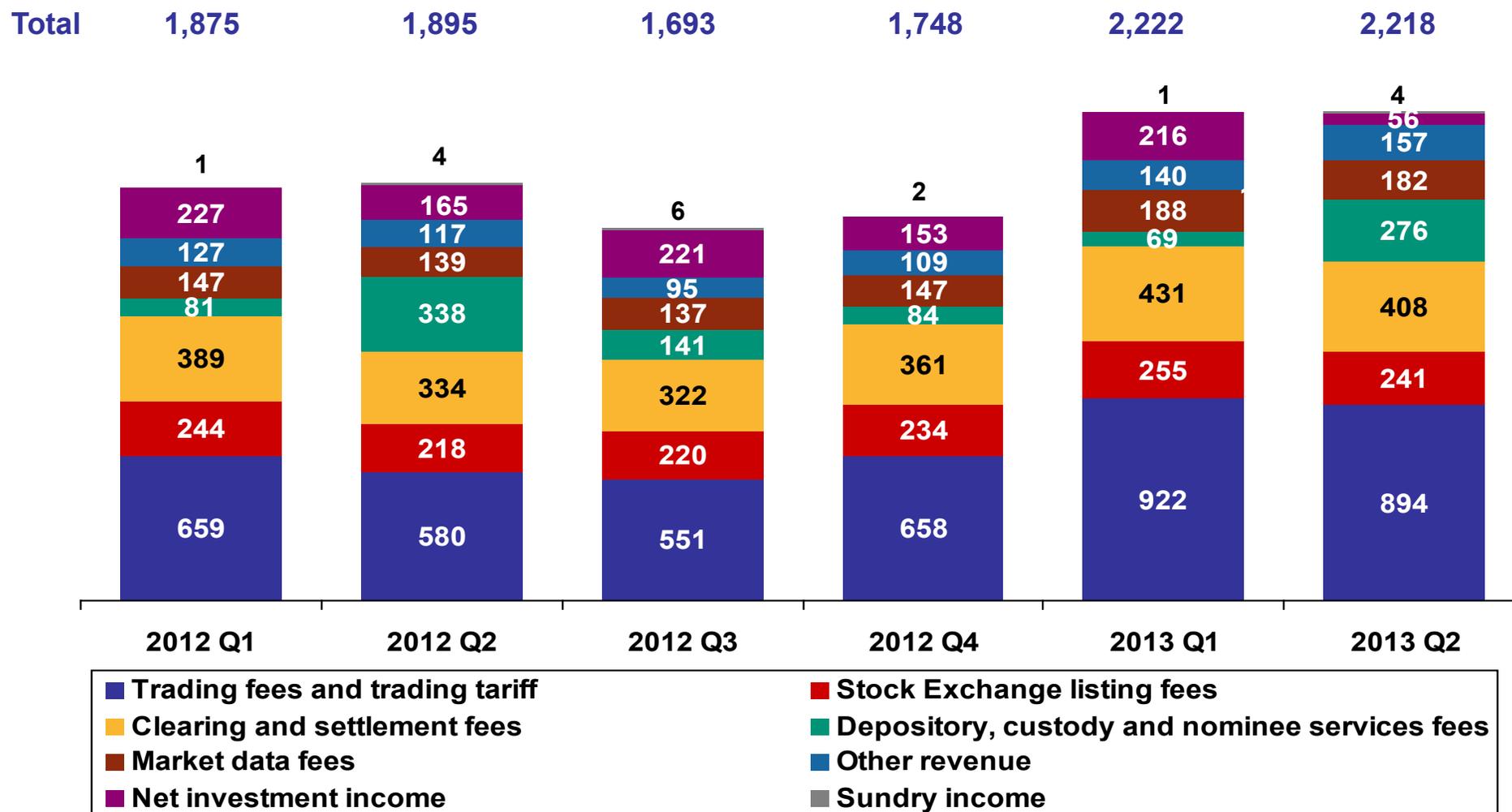
(2) Corporate Items include mainly net investment income of Corporate Funds

# Quarterly Trend

## Revenue and Other Income



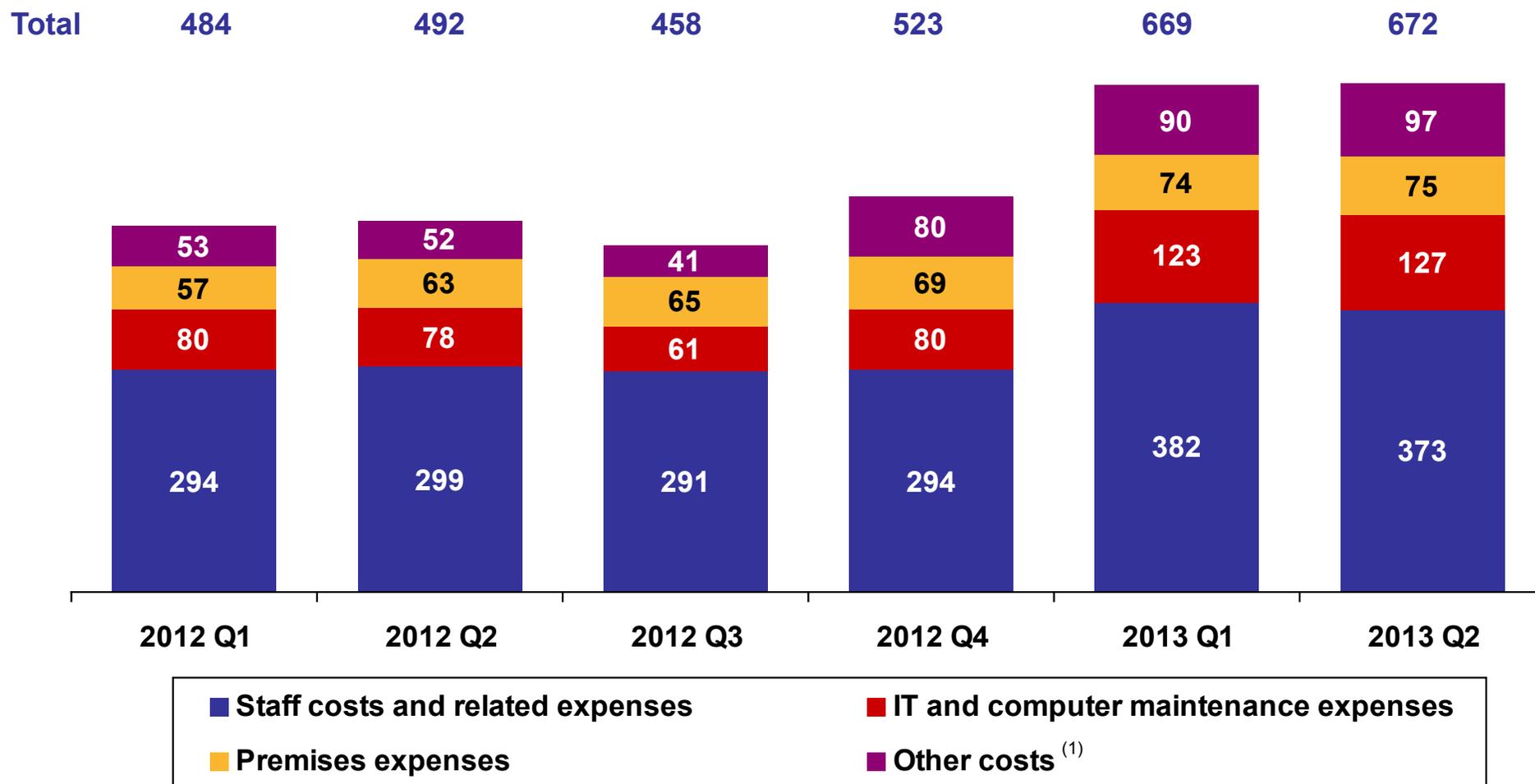
(\$ million)



# Quarterly Trend Operating Expenses



(\$ million)



(1) Other costs include product marketing and promotion expenses, legal and professional fees and other operating expenses