FINANCIAL REVIEW

Overall Performance

	Unaudited Three months ended 31 Mar 2007 $'000	Unaudited Three months ended 31 Mar 2006 $'000
RESULTS		
Income:		
Income affected by market turnover	**826,659**	493,276
Stock Exchange listing fees	**143,401**	109,693
Income from sale of information	**127,612**	85,517
Investment income	**223,143**	112,959
Other income	**78,124**	52,682
	1,398,939	854,127
Operating expenses	**322,643**	292,527
Operating profit	**1,076,296**	561,600
Share of profits of associates	**5,587**	3,220
Profit before taxation	**1,081,883**	564,820
Taxation	**(159,346)**	(85,981)
Profit attributable to shareholders	**922,537**	478,839
Basic earnings per share	**$0.87**	$0.45
Diluted earnings per share	**$0.86**	$0.45

	Unaudited at 31 Mar 2007 $'000	Audited at 31 Dec 2006 $'000
KEY BALANCE SHEET ITEMS		
Shareholders' funds	**6,195,762**	5,257,586
Total assets *	**43,564,940**	40,453,298
Net assets per share #	**$5.81**	$4.94

* The Group's total assets include the Margin Funds received from Participants on futures and options contracts.

Based on 1,065,538,846 shares as at 31 March 2007, being 1,066,796,846 shares issued and fully paid less 1,258,000 shares held for the Share Award Scheme (31 December 2006: 1,064,190,346 shares, being 1,065,448,346 shares issued and fully paid less 1,258,000 shares held for the Share Award Scheme)

The Group achieved record high quarterly results in the first quarter of 2007 mainly due to the buoyant Cash and Derivatives Markets, and recorded a profit attributable to shareholders of $923 million compared with $479 million for the same period in 2006.

The rise in profit in the first quarter of 2007 was primarily attributable to the higher turnover-related income resulting from the increase in level of activities in the Cash and Derivatives Markets and growth in investment income from higher interest income and an increase in fair value gains of Corporate Fund investments in 2007.

Total operating expenses increased by 10 per cent during the period mainly due to higher staff costs and premises expenses.

Income

Income Affected by Market Turnover

	Unaudited Three months ended 31 Mar 2007 $'000	Unaudited Three months ended 31 Mar 2006 $'000	Change
Trading fees and trading tariff	**504,413**	297,553	70%
Clearing and settlement fees	**261,504**	154,620	69%
Depository, custody and nominee services fees	**60,742**	41,103	48%
Total	**826,659**	493,276	68%

The increase in trading fees and trading tariff was mainly due to the higher market turnover of the Cash and Derivatives Markets in the first quarter of 2007 against that of the corresponding period last year.

Clearing and settlement fees were derived predominantly from Cash Market transactions. The increase in clearing and settlement fees in 2007 was mainly due to the higher market turnover of the Cash Market. Despite being mostly ad valorem fees, clearing and settlement fees were subject to a minimum and a maximum fee per transaction and may not always move exactly with changes in the Cash Market turnover.

Depository, custody and nominee services fees increased mainly due to higher scrip fees, stock custody fees, corporate action fees and eIPO handling charges. The fees were influenced by the level of Cash Market activities but did not move proportionately with changes in the Cash Market turnover as they varied mostly with the board lots rather than the value of the securities concerned and many were subject to a maximum fee. Moreover, scrip fee was only chargeable on the net increase in individual Participants' aggregate holdings of the securities on book closing dates.

Key market indicators

	Three months ended 31 Mar 2007	Three months ended 31 Mar 2006	Change
Average daily turnover value on the Stock Exchange	**$52.9 billion**	$31.2 billion	70%
Average daily number of derivatives contracts traded on the Futures Exchange	**144,216**	87,755	64%
Average daily number of stock options contracts traded on the Stock Exchange	**124,662**	61,863	102%

Stock Exchange Listing Fees

	Unaudited Three months ended 31 Mar 2007 $'000	Unaudited Three months ended 31 Mar 2006 $'000	Change
Annual listing fees	**72,416**	66,775	8%
Initial and subsequent issue listing fees	**69,586**	41,540	68%
Others	**1,399**	1,378	2%
Total	**143,401**	109,693	31%

The increase in annual listing fees was attributable to the higher number of listed securities. The rise in initial listing and subsequent issue listing fees was due to the substantial increase in number of newly listed derivative warrants.

Key drivers for annual listing fees

	As at 31 Mar 2007	As at 31 Mar 2006	Change
Number of companies listed on Main Board	**983**	940	5%
Number of companies listed on GEM	**197**	201	(2%)
Total	**1,180**	1,141	3%

Key drivers for initial and subsequent issue listing fees

	Three months ended 31 Mar 2007	Three months ended 31 Mar 2006	Change
Number of newly listed derivative warrants	**1,107**	546	103%
Number of newly listed companies on Main Board	**13**	12	8%
Number of newly listed companies on GEM	**–**	3	(100%)
Total equity funds raised on Main Board	**$50.8 billion**	$30.5 billion	67%
Total equity funds raised on GEM	**$1.8 billion**	$2.3 billion	(22%)

Income from Sale of Information

	Unaudited Three months ended 31 Mar 2007 $'000	Unaudited Three months ended 31 Mar 2006 $'000	Change
Income from sale of information	**127,612**	85,517	49%

Income from sale of information rose as demand for information increased in tandem with the activities of the Cash and Derivatives Markets.

Investment Income

	Unaudited Three months ended 31 Mar 2007 $'000	Unaudited Three months ended 31 Mar 2006 $'000	Change
Gross investment income	**370,299**	203,349	82%
Interest expenses	**(147,156)**	(90,390)	63%
Investment income	**223,143**	112,959	98%

The average amount of funds available for investment was as follows:

	Three months ended 31 Mar 2007 $ billion	Three months ended 31 Mar 2006 $ billion	Change
Corporate Funds	**6.0**	4.4	36%
Margin Funds	**28.0**	16.5	70%
Clearing House Funds	**2.2**	1.5	47%
Total	**36.2**	22.4	62%

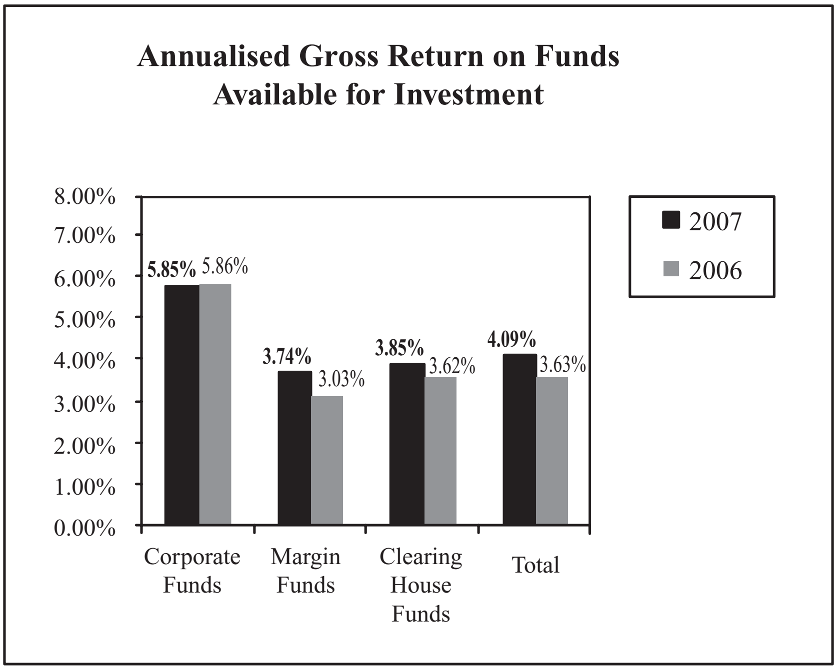
The increase in average amount of Corporate Funds during the period was mainly due to the profit net of dividends paid.

The rise in average amount of Margin Funds available for investment during the period was primarily caused by the increased open interest in futures and options contracts.

The increase in average amount of Clearing House Funds was mainly due to the increase in additional contributions from Participants in response to market fluctuations and changes in risk exposure.

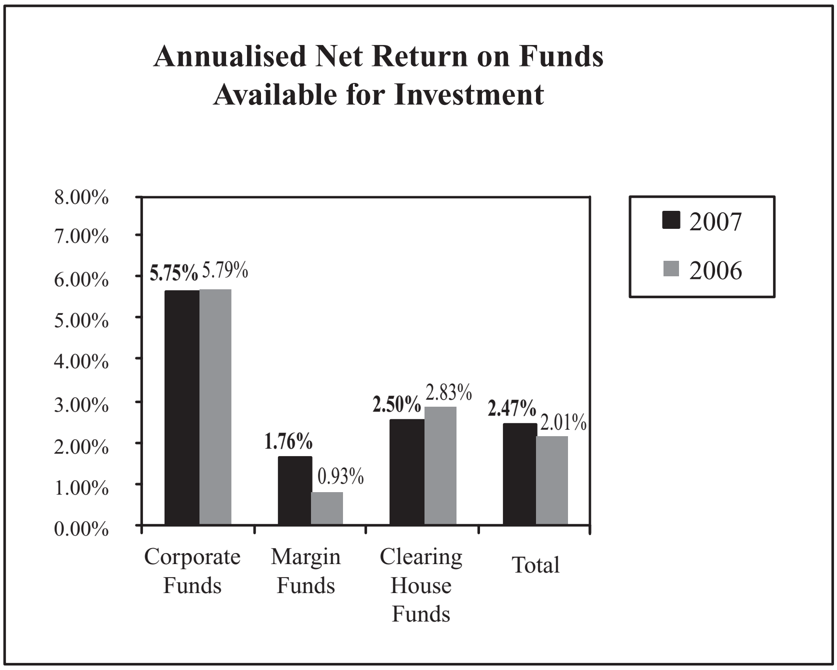
The higher investment income was primarily due to the significant increase in net interest income of all funds available for investment arising from an increase in fund size and higher fair value gains of Corporate Fund investments, reflecting market movements, during the first quarter of 2007 as compared with the corresponding period in 2006.

The annualised gross return on funds available for investment during the first quarter is set out below:



The increase in gross return on Margin Fund investments was attributable to an increase in investment in debt securities for higher yield and a decrease in the proportion of margin funds denominated in Japanese Yen during the first quarter of 2007 as compared with the corresponding period in 2006. The higher gross return on Clearing House Fund investments was mainly due to increases in the interest rate of overnight deposits.

The annualised net return on funds available for investment after the deduction of interest expenses during the first quarter was as follows:



The lower net return on Corporate Funds was due to a higher proportion of Corporate Funds, mainly marks, being entitled to interest in 2007. The net return on Clearing House Fund investments also decreased as a higher proportion of the Clearing House Fund contributions was eligible for interest in 2007.

Details of the investment portfolio are set out in the Treasury section under the Business Review.

Other Income

	Unaudited Three months ended 31 Mar 2007 $'000	Unaudited Three months ended 31 Mar 2006 $'000	Change
Network, terminal user, dataline and software sub-license fees	**53,061**	35,198	51%
Participants' subscription and application fees	**8,480**	8,515	(0%)
Brokerage on direct IPO applications	**8,347**	3,264	156%
Trading booth user fees	**2,394**	1,980	21%
Fair value gain of an investment property	**500**	600	(17%)
Accommodation income	**1,841**	358	414%
Miscellaneous income	**3,501**	2,767	27%
Total	**78,124**	52,682	48%

Network, terminal user, dataline and software sub-license fees rose due to an increase in sales of OG and AMS/3 terminals and sales of additional throttles.

Accommodation income (ie retention interest charged on securities deposited by Participants as alternatives to cash deposits of the Margin Funds) increased mainly due to the increase in utilisation of non-cash collateral by Participants to meet their margin obligations.

Operating Expenses

	Unaudited Three months ended 31 Mar 2007 $'000	Unaudited Three months ended 31 Mar 2006 $'000	Change
Staff costs and related expenses	**182,305**	159,126	15%
Information technology and computer maintenance expenses	**51,301**	46,464	10%
Premises expenses	**32,410**	26,633	22%
Product marketing and promotion expenses	**2,479**	2,861	(13%)
Legal and professional fees	**1,374**	4,847	(72%)
Depreciation	**23,162**	24,940	(7%)
Other operating expenses	**29,612**	27,656	7%
Total	**322,643**	292,527	10%

Staff costs and related expenses increased by $23 million, primarily due to the increase in salary costs and provident fund contributions as a result of the increase in headcount and salary adjustment in 2007, and an increase in performance bonus accruals on account of the improved performance of the Group.

Information technology and computer maintenance expenses of the Group, after excluding goods and services directly consumed by the Participants of $17 million (2006: $14 million), were $34 million (2006: $32 million). The increase in costs directly consumed by Participants was primarily due to the increase in the purchase of the AMS/3 hardware and software by the Participants to replace their outdated terminals.

Premises expenses rose due to the increase in rental upon the renewal of certain leases.

Legal and professional fees dropped primarily due to the legal fee provision for judicial review of the New World case in the first quarter of 2006.

Depreciation decreased as certain fixed assets became fully depreciated.

Other operating expenses increased, mainly attributable to higher bank charges due to increased eIPOs and higher index license fees as a result of the rise in derivative transactions.

Share of Profits of Associates

	Unaudited Three months ended 31 Mar 2007 $'000	Unaudited Three months ended 31 Mar 2006 $'000	Change
Share of profits of associates	**5,587**	3,220	74%

Share of profits of associates increased due to the higher profitability of CHIS.

Taxation

	Unaudited Three months ended 31 Mar 2007 $'000	Unaudited Three months ended 31 Mar 2006 $'000	Change
Taxation	**159,346**	85,981	85%

Taxation increased mainly attributable to an increase in operating profit, but partly offset by an increase in non-taxable investment income.

Working Capital

Working capital increased by $957 million or 22 per cent to $5,228 million as at 31 March 2007 (31 December 2006: $4,271 million). The increase was primarily due to the profit generated during the first quarter of 2007 of $923 million and the reclassification of the investment in CHIS of $67 million as a current asset, and the decrease in other working capital of $33 million.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Details of the Group's exposure to fluctuations in exchange rates and related hedges are included in note 35(a)(i) – Foreign exchange risk to the condensed consolidated accounts of this quarterly report.

Contingent Liabilities

Details of contingent liabilities are included in note 32 to the condensed consolidated accounts of this quarterly report.

Changes since 31 December 2006

There were no other significant changes in the Group's financial position and from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2006.

It is the Group's plan to declare dividend only at the half-year and year-end. Therefore, no dividend will be proposed for the first quarter ended 31 March 2007 (first quarter of 2006: $Nil).

Due to fluctuations in market conditions and changes in operating environment, certain categories of income and operating expenses may vary from quarter to quarter. Therefore, quarterly results should not be extrapolated to project the Group's full-year performance.