NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited condensed consolidated accounts should be read in conjunction with the 2005 annual accounts.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2005 except that the Group has adopted the revised HKAS 27 - Consolidated and Separate Financial Statements, which is effective for accounting periods beginning on or after 1 January 2006.

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the consolidation of special purpose entities (including trusts) of the Group. Trusts could not be consolidated under the previous HKAS 27 prior to 2006 as they were not considered as subsidiaries under the Hong Kong Companies Ordinance. The Companies (Amendment) Ordinance 2005, effective for accounting periods beginning on or after 1 January 2006, has removed the legal constraint that prevented a Hong Kong incorporated company from consolidating in its group accounts special purpose entities (including trusts) that are required to be consolidated under Hong Kong Financial Reporting Standards ("HKFRSs") but did not meet the legal definition of a subsidiary under the then Hong Kong Companies Ordinance, and HKAS 27 has been revised accordingly.

In 2005, the Board of HKEx approved an Employees' Share Award Scheme ("Share Award Scheme"), under which shares of HKEx ("Awarded Shares") may be awarded to an Executive Director and employees of the Group. The Group has set up a trust, The HKEx Employees' Share Award Scheme ("HKEx Employee Share Trust"), for the purpose of administering the Share Award Scheme and holding the Awarded Shares before they vest. As HKEx has the power to govern the financial and operating policies of the HKEx Employee Share Trust and derive benefits from the contributions of the employees who have been awarded the Awarded Shares through their continued employment with the Group, the Group is required to consolidate the HKEx Employee Share Trust under the revised HKAS 27 in 2006.

The effects of adopting the revised HKAS 27 on the condensed consolidated profit and loss account for the nine months ended 30 September 2006 and nine months ended 30 September 2005 were as follows:

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000
Increase in investment income	**1**	–
Increase in staff costs and related expenses	**(13)**	–
Total decrease in profit	**(12)**	–
Decrease in basic earnings per share	**0.00 cents**	–
Decrease in diluted earnings per share	**0.00 cents**	–

1. Basis of Preparation and Accounting Policies (continued)

The effects of adopting the revised HKAS 27 on the condensed consolidated balance sheet as at 30 September 2006 and 31 December 2005 were as follows:

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Increase/(decrease) in assets		
Contributions to Share Award Scheme	**(30,093)**	(30,037)
Cash and cash equivalents	**17**	20
Increase/(decrease) in liabilities/equity		
Accounts payable, accruals and other liabilities	**2**	1
Shares held for Share Award Scheme	**(31,602)**	(30,028)
Retained earnings	**1,524**	10

Following the adoption of the revised HKAS 27, the accounting policies of the Group have been revised as follows:

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a holding of more than one half of the voting rights or issued share capital.

(b) Shares held for Share Award Scheme

Where the HKEx Employee Share Trust purchases shares issued by HKEx, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from total equity.

(c) Dividends

Dividends disclosed in the consolidated profit and loss account represent interim dividend paid and final and special dividends proposed/declared for the year (based on the issued share capital less the number of shares held for the Share Award Scheme as at the balance sheet date).

Dividends declared are recognised as liabilities in the Group's accounts in the year the dividends are approved by the shareholders.

Further, as disclosed in the 2005 annual accounts, the Group adopted HKAS 39 and HKFRS 4 (Amendments): Financial Guarantee Contracts in the fourth quarter of 2005. The adoption of the Amendments had the following impact on equity as at 30 September 2005:

	$'000
Decrease in equity	
Retained earnings	(19,909)

1. Basis of Preparation and Accounting Policies (continued)

The Group manages a significant portfolio of investments. Securities and derivative financial instruments (i.e. forward foreign exchange contracts) held for trading purposes (such as those of the Corporate Funds managed by external fund managers), and securities or bank deposits with embedded derivatives of the Margin Funds and the Corporate Funds whose economic characteristics and risks are not closely related to the host investments ("structured securities" or "structured deposits") are classified as financial assets/liabilities at fair value through profit or loss with changes in fair value recognised in the profit and loss account. Securities not held for trading (such as those of the Corporate Funds managed internally and those held for the Clearing House Funds, Compensation Fund Reserve Account and Margin Funds (other than structured securities or structured deposits)) are classified as available-for-sale financial assets with changes in fair value recognised in the investment revaluation reserve.

2. Turnover

Turnover comprises trading fees and trading tariff from securities and options traded on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and derivatives contracts traded on Hong Kong Futures Exchange Limited ("Futures Exchange"), Stock Exchange listing fees, clearing and settlement fees, depository, custody and nominee services fees, income from sale of information, investment income (including investment income net of interest expenses of Clearing House Funds) and other income, which are **disclosed as Income** in the condensed consolidated profit and loss account.

3. Segment Information

The Group's income is derived solely from business activities in Hong Kong. An analysis of the Group's income and results for the period by business segment is as follows:

	Nine months ended 30 Sept 2006				
	Cash Market $'000	**Derivatives Market $'000**	**Clearing Business $'000**	**Information Services $'000**	**Group $'000**
Income	**1,216,147**	**455,537**	**894,789**	**277,210**	**2,843,683**
Operating expenses					
Direct costs	**323,755**	**88,312**	**244,041**	**31,598**	**687,706**
Indirect costs	**93,193**	**29,464**	**68,711**	**14,577**	**205,945**
	416,948	**117,776**	**312,752**	**46,175**	**893,651**
Segment results	**799,199**	**337,761**	**582,037**	**231,035**	**1,950,032**
Share of profits less losses of associates	**1**	**–**	**15,985**	**–**	**15,986**
Segment profits before taxation	**799,200**	**337,761**	**598,022**	**231,035**	**1,966,018**
Taxation					**(291,989)**
Profit attributable to shareholders					**1,674,029**

3. Segment Information (continued)

	Nine months ended 30 Sept 2005				
	Cash Market $'000	Derivatives Market $'000	Clearing Business $'000	Information Services $'000	Group $'000
Income	845,696	328,856	551,482	245,266	1,971,300
Operating expenses					
Direct costs	321,998	83,795	225,769	35,316	666,878
Indirect costs	85,304	26,917	57,952	15,861	186,034
	407,302	110,712	283,721	51,177	852,912
Segment results	438,394	218,144	267,761	194,089	1,118,388
Share of profits less losses of associates	(21)	–	13,013	–	12,992
Segment profits before taxation	438,373	218,144	280,774	194,089	1,131,380
Taxation					(171,464)
Profit attributable to shareholders					959,916

The **Cash Market** business mainly refers to the operations of the Stock Exchange, which covers all products traded on the Cash Market platforms, such as equities, debt securities, unit trusts, callable bull/bear contracts, warrants and rights. Currently, the Group operates two Cash Market platforms, the Main Board and the Growth Enterprise Market ("GEM"). The major sources of income of the business are trading fees, trading tariff and listing fees. Costs of the Listing Function are treated as segment costs under the Cash Market. Costs of the Listing Function are further explained in note 5.

The **Derivatives Market** business refers to the derivatives products traded on the Futures Exchange and stock options traded on the Stock Exchange, which includes the provision and maintenance of trading platforms for a range of derivatives products, such as equity and interest rate futures and options. Its income mainly comprises trading fees and investment income on the Margin Funds invested.

The **Clearing Business** refers to the operations of the three Clearing Houses, namely Hong Kong Securities Clearing Company Limited ("HKSCC"), The SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKCC"), which are responsible for clearing, settlement and custodian activities and the related risk management of the Cash and Derivatives Markets operated by the Group. Its income is derived primarily from investment income earned on the Clearing House Funds and fees from providing clearing, settlement, depository, custody and nominee services.

The **Information Services** business is responsible for developing, promoting, compiling and sales of real-time, historical as well as statistical market data and issuer information. Its income comprises primarily income from sale of Cash Market and Derivatives Market data.

In addition to the above, central income (mainly investment income of the Corporate Funds) and central costs (mainly costs of the support functions that centrally provide services to all of the business segments) are allocated to the business segments and included in the segment income and costs.

4. Trading Fees and Trading Tariff

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Trading fees and trading tariff were derived from:				
Securities traded on the Cash Market	**644,414**	386,952	**195,452**	152,192
Derivatives contracts traded on the Derivatives Market	**268,312**	193,501	**95,440**	75,646
	912,726	580,453	**290,892**	227,838

5. Stock Exchange Listing Fees

Stock Exchange listing fees and costs of Listing Function comprised the following:

	Nine months ended 30 Sept 2006				Nine months ended 30 Sept 2005			
	Equity				Equity			
	Main Board	**GEM**	**Debt & Derivatives**	**Total**	Main Board	GEM	Debt & Derivatives	Total
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Income								
Annual listing fees	**183,599**	**18,694**	**1,345**	**203,638**	176,836	19,379	1,398	197,613
Initial and subsequent issue listing fees	**27,923**	**2,760**	**89,828**	**120,511**	35,124	3,470	62,287	100,881
Prospectus vetting fees	**1,875**	**300**	**60**	**2,235**	1,620	285	130	2,035
Other listing fees	**1,630**	**734**	**–**	**2,364**	2,272	760	–	3,032
Total income	**215,027**	**22,488**	**91,233**	**328,748**	215,852	23,894	63,815	303,561
Costs of Listing Function								
Direct costs								
Staff costs and related expenses	**87,483**	**22,938**	**4,555**	**114,976**	71,506	20,523	3,915	95,944
Information technology and computer maintenance expenses	**1,395**	**363**	**–**	**1,758**	1,167	311	–	1,478
Premises expenses	**10,836**	**2,787**	**613**	**14,236**	4,749	1,354	296	6,399
Legal and professional fees	**3,552**	**694**	**–**	**4,246**	2,705	1,041	1	3,747
Depreciation	**2,797**	**838**	**41**	**3,676**	4,890	1,476	183	6,549
Other operating expenses	**15,744**	**4,099**	**163**	**20,006**	15,715	4,089	137	19,941
Total direct costs	**121,807**	**31,719**	**5,372**	**158,898**	100,732	28,794	4,532	134,058
Total indirect costs	**19,612**	**4,214**	**3,278**	**27,104**	20,137	4,041	3,359	27,537
Contribution	**73,608**	**(13,445)**	**82,583**	**142,746**	94,983	(8,941)	55,924	141,966

5. Stock Exchange Listing Fees (continued)

	Three months ended 30 Sept 2006				Three months ended 30 Sept 2005			
	Equity				Equity			
	Main Board	**GEM**	**Debt & Derivatives**	**Total**	Main Board	GEM	Debt & Derivatives	Total
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Income								
Annual listing fees	**62,228**	**6,281**	**475**	**68,984**	59,335	6,450	472	66,257
Initial and subsequent issue listing fees	**10,122**	**330**	**34,138**	**44,590**	12,342	950	27,195	40,487
Prospectus vetting fees	**645**	**60**	**–**	**705**	435	120	20	575
Other listing fees	**770**	**294**	**–**	**1,064**	456	214	–	670
Total income	**73,765**	**6,965**	**34,613**	**115,343**	72,568	7,734	27,687	107,989
Costs of Listing Function								
Direct costs								
Staff costs and related expenses	**30,287**	**7,509**	**1,640**	**39,436**	23,381	7,615	1,306	32,302
Information technology and computer maintenance expenses	**452**	**115**	**–**	**567**	395	95	–	490
Premises expenses	**3,934**	**945**	**206**	**5,085**	1,539	495	111	2,145
Legal and professional fees	**534**	**202**	**–**	**736**	1,070	284	–	1,354
Depreciation	**704**	**202**	**12**	**918**	1,172	413	41	1,626
Other operating expenses	**5,336**	**1,492**	**31**	**6,859**	4,874	1,259	41	6,174
Total direct costs	**41,247**	**10,465**	**1,889**	**53,601**	32,431	10,161	1,499	44,091
Total indirect costs	**6,164**	**1,329**	**1,108**	**8,601**	6,351	1,364	1,341	9,056
Contribution	**26,354**	**(4,829)**	**31,616**	**53,141**	33,786	(3,791)	24,847	54,842

Listing fee income is fees paid by issuers to enable them to gain access to the Stock Exchange and enjoy the privileges and facilities by being admitted, listed and traded on the Stock Exchange.

The direct costs listed above are regulatory in nature, which comprise costs of the Listing Function on vetting Initial Public Offerings ("IPOs") and enforcing the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and disseminating information relating to listed companies. Indirect costs comprise costs of support services and other central overheads attributable to the Listing Function.

6. Investment Income

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Interest income				
– bank deposits	**400,421**	159,733	**120,806**	91,162
– listed available-for-sale financial assets	**15,210**	8,191	**7,007**	3,293
– unlisted available-for-sale financial assets	**152,532**	54,487	**83,812**	20,000
	568,163	222,411	**211,625**	114,455
Interest expenses (note a)	**(322,326)**	(65,375)	**(115,665)**	(46,141)
Net interest income	**245,837**	157,036	**95,960**	68,314
Net realised and unrealised gains/(losses) and interest income on financial assets and financial liabilities at fair value through profit or loss				
On designation				
– bank deposits with embedded derivatives	**–**	266	**–**	–
Held for trading				
– listed securities	**86,706**	70,561	**47,886**	34,111
– unlisted securities	**40,318**	5,119	**22,689**	1,258
– exchange differences	**13,113**	(13,389)	**6,322**	(3,691)
	140,137	62,291	**76,897**	31,678
	140,137	62,557	**76,897**	31,678
Dividend income				
– listed financial assets at fair value through profit or loss	**4,891**	5,707	**1,213**	2,296
Other exchange differences on loans and receivables	**235**	(301)	**108**	638
Total investment income	**391,100**	224,999	**174,178**	102,926
Total investment income was derived from:				
Corporate Funds (note b)	**197,620**	86,838	**98,088**	44,495
Margin Funds	**157,963**	118,374	**63,791**	49,221
Clearing House Funds	**35,517**	19,787	**12,299**	9,210
	391,100	224,999	**174,178**	102,926

6. Investment Income (continued)

(a) The significant increase in interest expenses was mainly attributable to the increase in Margin Fund size, rising interest rates and a change in the benchmarked interest rate payable on cash margin deposits from 1 June 2005 onwards. In 2006, interest was paid on cash margin deposits based on the savings rate. Prior to 1 June 2005, interest was not always paid to the Participants as the interest rates payable on the cash margin deposits were often lower than the retention interest rates charged by HKCC and SEOCH on such cash margin deposits.

(b) Investment income derived from Corporate Funds included investment income of Compensation Fund Reserve Account of $1,486,000 (2005: $869,000) and $514,000 (2005: $371,000) for the nine months and three months ended 30 September 2006 respectively.

7. Other Income

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Network, terminal user, dataline and software sub-license fees	**117,971**	94,726	**40,043**	28,592
Participants' subscription and application fees	**25,466**	25,837	**8,450**	8,555
Brokerage on direct IPO applications	**25,013**	10,149	**7,909**	3,961
Trading booth user fees	**6,768**	–	**2,397**	–
Fair value gain of an investment property (note 15)	**1,400**	3,200	**400**	600
Accommodation income on cash margin deposits in non-contract settlement currencies and securities deposited by Participants as alternatives to cash deposits of the Margin Funds	**1,589**	1,898	**769**	404
Miscellaneous income	**8,278**	8,571	**2,550**	2,418
	186,485	144,381	**62,518**	44,530

8. Staff Costs and Related Expenses

Staff costs and related expenses comprised the following:

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Salaries and other short-term employee benefits	**423,412**	369,382	**139,491**	123,242
Employee share-based compensation benefits (note 26)	**17,972**	17,254	**4,242**	5,909
Termination benefits	**1,183**	236	**1,023**	236
Retirement benefit costs (note a):				
– ORSO Plan	**38,699**	37,683	**12,765**	12,539
– MPF Scheme	**261**	209	**88**	76
	481,527	424,764	**157,609**	142,002

(a) The Group has sponsored two defined contribution post-retirement benefit plans - the Hong Kong Exchanges and Clearing Provident Fund Scheme ("ORSO Plan") and the AIA-JF Premium MPF Scheme ("MPF Scheme"). The retirement benefit costs charged to the condensed consolidated profit and loss account represent contributions paid and payable by the Group to the ORSO Plan and the MPF Scheme and related fees. No contribution payable was outstanding as at 30 September 2006 and 31 December 2005.

9. Information Technology and Computer Maintenance Expenses

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Costs of services and goods:				
– consumed by the Group	**98,532**	109,054	**33,062**	36,227
– directly consumed by Participants	**49,674**	39,418	**21,343**	13,182
	148,206	148,472	**54,405**	49,409

10. Other Operating Expenses

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Provision for/(reversal of provision for) impairment losses of trade receivables	**358**	(425)	**(54)**	(53)
Insurance	**11,508**	12,023	**3,452**	3,821
Financial data subscription fees	**3,308**	3,898	**1,071**	1,141
Custodian and fund management fees	**6,235**	5,885	**2,090**	1,994
Bank charges	**6,712**	2,824	**1,938**	1,036
Repair and maintenance expenses	**6,207**	5,767	**1,922**	1,993
License fees	**6,777**	4,860	**1,923**	1,497
Communication expenses	**3,621**	3,516	**1,169**	1,364
Other miscellaneous expenses	**39,337**	37,557	**12,699**	12,170
	84,063	75,905	**26,210**	24,963

11. Taxation

Taxation charge/(credit) in the condensed consolidated profit and loss account represented:

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Provision for Hong Kong Profits Tax for the period (note a)	**299,445**	182,910	**94,136**	68,061
Overprovision in respect of prior years	**(5)**	(34)	**(5)**	(34)
	299,440	182,876	**94,131**	68,027
Deferred taxation	**(7,451)**	(11,412)	**(1,843)**	(2,349)
	291,989	171,464	**92,288**	65,678

(a) Hong Kong Profits Tax has been provided for at 17.5 per cent (2005: 17.5 per cent) on the estimated assessable profit for the period.

12. Dividend

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Interim dividend paid of $0.94 (2005: $0.49) per ordinary share	**1,001,219**	520,567	**–**	–
Less: Dividend for shares held by HKEx Employee Share Trust	**(912)**	–	**–**	–
	1,000,307	520,567	**–**	–

13. Earnings Per Share

The calculation of the basic and diluted earnings per share is as follows:

(a) Basic earnings per share

	Nine months ended 30 Sept 2006	Nine months ended 30 Sept 2005	**Three months ended 30 Sept 2006**	Three months ended 30 Sept 2005
Profit attributable to shareholders ($'000)	**1,674,029**	959,916	**565,718**	389,120
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme	**1,063,218,919**	1,059,628,097	**1,063,985,564**	1,061,660,552
Basic earnings per share	**$1.57**	$0.91	**$0.53**	$0.37

(b) Diluted earnings per share

	Nine months ended 30 Sept 2006	Nine months ended 30 Sept 2005	**Three months ended 30 Sept 2006**	Three months ended 30 Sept 2005
Profit attributable to shareholders ($'000)	**1,674,029**	959,916	**565,718**	389,120
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme	**1,063,218,919**	1,059,628,097	**1,063,985,564**	1,061,660,552
Effect of employee share options	**11,320,981**	5,910,563	**11,106,171**	6,176,002
Effect of Awarded Shares	**956,466**	–	**954,560**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,075,496,366**	1,065,538,660	**1,076,046,295**	1,067,836,554
Diluted earnings per share	**$1.56**	$0.90	**$0.53**	$0.36

14. Fixed Assets

The total cost of additions to fixed assets of the Group during the nine months to 30 September 2006 was $36,776,000 (2005: $41,257,000) which mainly represented costs incurred in the renovation of the Trading Hall and the Exhibition Hall and purchases of computer systems, hardware and software (2005: mainly related to purchases of computer systems, hardware and software). The total cost and net book value of disposals and write-offs of fixed assets during the nine months to 30 September 2006 were $30,228,000 and $1,012,000 respectively (2005: $8,062,000 and $1,000 respectively).

15. Investment Property

The Group's investment property was revalued as at 30 September 2006 on the basis of its open market value by Jones Lang LaSalle, an independent firm of qualified property valuers. The fair value gain during the nine months ended 30 September 2006 of $1,400,000 (2005: $3,200,000) was credited to the condensed consolidated profit and loss account under other income (note 7).

16. Investments in Associates

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Share of net assets of associates	**15,947**	14,374
Goodwill (note a)	**50,207**	50,207
	66,154	64,581

(a) Goodwill

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
At 1 Jan	**50,207**	24,941
Further acquisition of 6% interest in Computershare Hong Kong Investor Services Limited on 3 May 2005	**–**	25,266
At 30 Sept 2006/31 Dec 2005	**50,207**	50,207
Represented by:		
Opening value upon adoption of HKFRS 3	**24,941**	25,321
Cost	**25,266**	25,266
Accumulated impairment	**–**	(380)
	50,207	50,207

(b) Details of the unlisted associates as at 30 September 2006 were as follows:

Name	**Place of incorporation**	**Principal activities**	**Particulars of shares held**	**Interest held**
Computershare Hong Kong Investor Services Limited ("CHIS")	Hong Kong	Provision of share registration services	7,317 Class A ordinary shares	30%

In addition to CHIS, the Group owned a 30 per cent interest in ADP Wilco Processing Services Limited ("AWPS") during the year. In March 2006, the Group received liquidation proceeds of $1,312,000 from the dissolution of AWPS which were marginally higher than the book value of the investment. The gain on liquidation of $6,000 was credited to other income in the condensed consolidated profit and loss account. AWPS was officially dissolved in July 2006.

17. Clearing House Funds

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Net assets of the Clearing House Funds were as follows:		
HKSCC Guarantee Fund	**346,960**	342,679
SEOCH Reserve Fund	**380,602**	376,758
HKCC Reserve Fund	**1,499,774**	620,973
	2,227,336	1,340,410
Net assets of the Clearing House Funds were composed of:		
Available-for-sale financial assets, at fair value		
– listed debt securities	**130,362**	98,896
– unlisted debt securities	**186,782**	125,241
Time deposits with original maturities over three months	**–**	30,290
Cash and cash equivalents	**1,918,542**	1,091,233
	2,235,686	1,345,660
Less: Other liabilities	**(8,350)**	(5,250)
	2,227,336	1,340,410
The Clearing House Funds were funded by:		
Clearing Participants' cash contributions (note a)	**1,609,965**	751,751
Designated reserves (note 28):		
– Clearing houses' contributions	**320,200**	320,200
– Forfeiture of a defaulted Clearing Participant's contributions	**1,928**	1,928
– Accumulated investment income net of expenses attributable to:		
– Clearing Participants' contributions	**224,462**	204,213
– Clearing houses' contributions	**70,822**	63,635
	617,412	589,976
Revaluation reserve (note 27(c))	**(41)**	(1,317)
	2,227,336	1,340,410
The maturity profile of the net assets of the Clearing House Funds was as follows:		
Amounts maturing after more than twelve months	**–**	98,896
Amounts maturing within twelve months	**2,227,336**	1,241,514
	2,227,336	1,340,410

(a) Amount included Participants' additional deposits of $1,249,965,000 (31 December 2005: $393,701,000).

17. Clearing House Funds (continued)

(b) The HKSCC Guarantee Fund provides resources to enable HKSCC to discharge the liabilities and obligations of defaulting Broker Participants in Central Clearing and Settlement System ("CCASS") arising from their Stock Exchange trades accepted for settlement on the Continuous Net Settlement ("CNS") basis and defective securities deposited into CCASS. The SEOCH Reserve Fund and the HKCC Reserve Fund were established for the exclusive purpose of supporting SEOCH and HKCC to fulfil their counterparty obligations in the event that one or more of their Clearing Participants fail to meet their obligations to SEOCH and HKCC respectively.

18. Compensation Fund Reserve Account

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Net assets of the Compensation Fund Reserve Account were composed of:		
Available-for-sale financial assets, at fair value		
– unlisted debt securities	**22,175**	18,488
Cash and cash equivalents	**28,641**	30,240
	50,816	48,728
Less: Other liabilities	**(10,865)**	(10,318)
	39,951	38,410
The Fund represented:		
Accumulated investment and other income net of expenses included in designated reserves (note 28)	**39,906**	38,420
Revaluation reserve (note 27(c))	**45**	(10)
	39,951	38,410
The maturity profile of the net assets of the Compensation Fund Reserve Account was as follows:		
Amounts maturing within twelve months	**39,951**	38,410

The Securities and Futures Commission ("SFC") is responsible for maintaining the Unified Exchange Compensation Fund ("Compensation Fund"). By virtue of Schedule 10 of the Securities and Futures Ordinance ("SFO"), the Stock Exchange's obligation under the repealed Securities Ordinance ("SO") to deposit with the SFC and keep deposited $50,000 in respect of each Stock Exchange Trading Right in the Compensation Fund remains. The Stock Exchange maintains an account known as the Compensation Fund Reserve Account for all receipts and payments in relation to the Compensation Fund under the Rules of the Exchange, in particular the following:

(i) The interest received from the SFC on the statutory deposits paid in respect of each Stock Exchange Trading Right into the Compensation Fund maintained by the SFC;

(ii) Amounts received or paid out in relation to each of the Stock Exchange Trading Rights granted or revoked by the Stock Exchange respectively; and

(iii) Amounts reserved for the replenishment to the Compensation Fund.

The Compensation Fund is further explained in note 32(a).

19. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits amounted to $4,996,063,000 (31 December 2005: $3,286,835,000). These mainly represented the Group's CNS money obligations receivable under the T+2 settlement cycle, which accounted for 93 per cent (31 December 2005: 88 per cent) of the total accounts receivable, prepayments and deposits. CNS money obligations receivable mature within two days after the trade date. Fees receivable are due immediately or up to 30 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits would mature within three months.

20. Margin Funds on Derivatives Contracts

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
The Margin Funds comprised:		
SEOCH Clearing Participants' Margin Funds	**1,498,459**	1,506,962
HKCC Clearing Participants' Margin Funds	**16,706,174**	12,141,619
	18,204,633	13,648,581
The net assets of the Margin Funds comprised:		
Available-for-sale financial assets, at fair value		
– listed debt securities	**727,360**	438,542
– unlisted debt securities	**8,654,562**	3,390,291
Time deposits with original maturities over three months	**56,988**	100,018
Cash and cash equivalents	**9,072,511**	9,686,026
Margin receivable from Clearing Participants	**2,034**	33,704
	18,513,455	13,648,581
Less: Other liabilities	**(308,822)**	–
	18,204,633	13,648,581
The Group's liabilities in respect of the Margin Funds were as follows:		
Margin deposits from SEOCH and HKCC Participants on derivatives contracts	**18,204,633**	13,648,581
The maturity profile of the net assets of Margin Funds was as follows:		
Amounts maturing after more than twelve months	**–**	1,114,326
Amounts maturing within twelve months	**18,204,633**	12,534,255
	18,204,633	13,648,581

21. Financial Assets/Liabilities at Fair Value through Profit or Loss

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Analysis of financial assets at fair value through profit or loss:		
Held for trading		
Equity securities, at fair value		
– listed in Hong Kong	**145,331**	139,220
– listed outside Hong Kong	**182,151**	173,349
	327,482	312,569
Held for trading		
Debt securities, at fair value		
– listed in Hong Kong	**62,858**	86,509
– listed outside Hong Kong	**1,236,607**	1,070,100
– unlisted	**1,148,831**	1,172,015
	2,448,296	2,328,624
Held for trading		
Derivative financial instruments, at fair value		
– forward foreign exchange contracts	**1,142**	2,595
	2,776,920	2,643,788
Analysis of financial liabilities at fair value through profit or loss:		
Held for trading		
Derivative financial instruments, at fair value		
– forward foreign exchange contracts	**3,453**	1,443

22. Available-for-sale Financial Assets

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Debt securities, at fair value		
– listed in Hong Kong	**28,649**	–
– unlisted	**58,290**	–
	86,939	–

All available-for-sale financial assets held will mature within twelve months.

23. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities amounted to $5,546,938,000 (31 December 2005: $3,641,071,000, as restated). These mainly represented the Group's CNS money obligations payable under the T+2 settlement cycle, which accounted for 83 per cent (31 December 2005: 79 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

24. Provisions

	Reinstatement costs $'000	Employee benefit costs $'000	Total $'000
At 1 Jan 2006	**24,128**	**25,613**	**49,741**
Provision for the period	**1,850**	**27,768**	**29,618**
Amount used during the period	**(1,850)**	**(25,145)**	**(26,995)**
Amount paid during the period	**–**	**(1,001)**	**(1,001)**
At 30 Sept 2006	**24,128**	**27,235**	**51,363**

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Analysis of provisions:		
Current	**27,235**	27,145
Non-current	**24,128**	22,596
	51,363	49,741

25. Share Capital, Share Premium and Shares Held for Share Award Scheme

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Authorised:		
2,000,000,000 shares of $1 each	**2,000,000**	2,000,000

Issued and fully paid:

	Number of shares of $1 each	Share capital $'000	Share premium $'000	Shares held for Share Award Scheme (note b) $'000	Total $'000
At 1 Jan 2005	1,056,638,846	1,056,639	104,034	–	1,160,673
Shares issued under employee share option schemes (note a)	6,116,000	6,116	41,263	–	47,379
Transfer from employee share-based compensation reserve (note 26)	–	–	5,108	–	5,108
Shares purchased for Share Award Scheme	(958,000)	–	–	(30,028)	(30,028)
At 31 Dec 2005, as restated	1,061,796,846	1,062,755	150,405	(30,028)	1,183,132
At 1 Jan 2006, as previously reported	**1,062,754,846**	**1,062,755**	**150,405**	**–**	**1,213,160**
Effect of initial adoption of revised HKAS 27	**(958,000)**	**–**	**–**	**(30,028)**	**(30,028)**
At 1 Jan 2006, as restated	**1,061,796,846**	**1,062,755**	**150,405**	**(30,028)**	**1,183,132**
Shares issued under employee share option schemes (note a)	**2,376,000**	**2,376**	**24,545**	**–**	**26,921**
Transfer from employee share-based compensation reserve (note 26)	**–**	**–**	**6,020**	**–**	**6,020**
Shares purchased for Share Award Scheme	**(27,500)**	**–**	**–**	**(1,574)**	**(1,574)**
At 30 Sept 2006	**1,064,145,346**	**1,065,131**	**180,970**	**(31,602)**	**1,214,499**

(a) During the period, employee share options granted under the Pre-Listing Share Option Scheme ("Pre-Listing Scheme") and the Post-Listing Share Option Scheme ("Post-Listing Scheme") were exercised to subscribe for 2,376,000 shares (year ended 31 December 2005: 6,116,000 shares) in HKEx at an average consideration of $11.33 per share (year ended 31 December 2005: $7.75 per share), of which $1.00 per share was credited to share capital and the balance was credited to the share premium account.

(b) During the period, the HKEx Employee Share Trust acquired 27,500 HKEx shares (year ended 31 December 2005: 958,000 shares) through purchases on the open market and held the shares for the Share Award Scheme (note 26(c)). The total amount paid to acquire the shares during the period was $1,574,000 (year ended 31 December 2005: $30,028,000) and has been deducted from shareholders' equity.

26. Employee Share-based Compensation Reserve

	2006 $'000	2005 $'000
At 1 Jan	**34,980**	17,061
Employee share-based compensation benefits (note a)	**17,972**	22,955
Transfer to share premium upon exercise of employee share options (note 25)	**(6,020)**	(5,108)
Share of reserve of an associate	**395**	72
At 30 Sept 2006/31 Dec 2005	**47,327**	34,980

(a) Employee share-based compensation benefits represent the fair value of employee services estimated to be received in exchange for the grant of the relevant options and Awarded Shares over the relevant vesting periods, the total of which is based on the fair value of the options and Awarded Shares at grant date. The amount for each period is determined by spreading the fair value of the options and Awarded Shares over the relevant vesting periods and is recognised as staff costs and related expenses (note 8) with a corresponding increase in the employee share-based compensation reserve.

(b) Share options

(i) Share options were granted to an Executive Director and employees of the Group to subscribe for shares in HKEx in accordance with the terms and conditions of the Share Option Schemes approved by the shareholders of HKEx at an extraordinary general meeting held on 31 May 2000. Share options granted are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of grant, providing that the grantees remain under the employ of the Group. The vested share options are exercisable within ten years of the grant date.

During 2005, options for the subscription of 5,884,000 shares were granted under the Post-Listing Scheme to a number of employees on 26 January 2005 which are exercisable between 26 January 2007 and 25 January 2015 at an exercise price of $19.25 per share.

Shares are issued when options are exercised. The Group has no legal or constructive obligations to repurchase or settle the options in cash.

26. Employee Share-based Compensation Reserve (continued)

(b) Share options (continued)

(ii) Movements in the number of shares issuable under options granted and their related weighted average exercise prices were as follows:

	Nine months ended 30 Sept 2006		Year ended 31 Dec 2005	
	Average exercise price per share $	**Number of shares issuable under options granted**	Average exercise price per share $	Number of shares issuable under options granted
Pre-Listing Scheme				
Outstanding at 1 Jan	**6.88**	**2,126,000**	6.88	6,680,000
Exercised	**6.88**	**(1,331,000)**	6.88	(4,554,000)
Outstanding at 30 Sept 2006/ 31 Dec 2005	**6.88**	**795,000**	6.88	2,126,000
Post-Listing Scheme				
Outstanding at 1 Jan	**15.80**	**16,574,000**	13.78	13,218,000
Granted	**–**	**–**	19.25	5,884,000
Exercised	**17.00**	**(1,045,000)**	10.27	(1,562,000)
Forfeited	**18.07**	**(364,500)**	18.05	(966,000)
Outstanding at 30 Sept 2006/ 31 Dec 2005	**15.67**	**15,164,500**	15.80	16,574,000
Total	**15.23**	**15,959,500**	14.79	18,700,000

(iii) Had all the outstanding employee share options been fully exercised on 30 September 2006, the Group would have received $243,047,000 in proceeds. The market value of the shares issued based on the closing price of $56.85 per share on that date would have been $907,298,000. The theoretical gains made by the employees or Executive Director concerned would have been as follows:

	Number of shares issuable under options granted as at 30 Sept 2006	**Exercise price $**	**Gain per share $**	**Aggregate gain $'000**
Pre-Listing Scheme				
– granted to employees on 20 Jun 2000	**795,000**	**6.88**	**49.97**	**39,726**
Post-Listing Scheme				
– granted to an Executive Director on 2 May 2003	**2,460,000**	**8.28**	**48.57**	**119,482**
– granted to an employee on 14 Aug 2003	**844,000**	**12.45**	**44.40**	**37,474**
– granted to an employee on 18 Aug 2003	**1,476,000**	**12.49**	**44.36**	**65,476**
– granted to an employee on 15 Jan 2004	**822,000**	**17.30**	**39.55**	**32,510**
– granted to employees on 31 Mar 2004	**4,162,500**	**16.96**	**39.89**	**166,042**
– granted to an employee on 17 May 2004	**150,000**	**15.91**	**40.94**	**6,141**
– granted to employees on 26 Jan 2005	**5,250,000**	**19.25**	**37.60**	**197,400**
				664,251

26. Employee Share-based Compensation Reserve (continued)

(c) Awarded Shares

(i) On 14 September 2005, the Board of HKEx approved the Share Award Scheme under which Awarded Shares may be awarded to an Executive Director and employees of the Group in accordance with the terms and conditions of the Share Award Scheme. Awarded Shares awarded and the income derived therefrom are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of award, providing that the awardees remain under the employ of the Group.

Pursuant to the rules of the Share Award Scheme, upon awarding of the Awarded Shares, the number of HKEx shares awarded will be acquired from the market at the cost of HKEx by the trustee of the HKEx Employee Share Trust, which has been set up for the purpose of administering the Share Award Scheme. Dividends on the Awarded Shares are used to acquire further HKEx shares and allocated to the awardees on a pro rata basis. The Awarded Shares will be held by the trustee until the end of each vesting period.

960,000 Awarded Shares were awarded in 2005 to a number of employees which will be transferred to the employees at nil consideration upon vesting between 19 December 2007 and 19 December 2010. In 2006, 25,500 shares were acquired through reinvesting dividends received, of which 24,867 shares have been allocated to awardees.

(ii) Movements in the number of Awarded Shares awarded and their related average fair value were as follows:

	Nine months ended 30 Sept 2006		Year ended 31 Dec 2005	
	Average fair value per share $	**Number of Awarded Shares awarded**	Average fair value per share $	Number of Awarded Shares awarded
Outstanding at 1 Jan	**31.20**	**960,000**	–	–
Awarded	**–**	**–**	31.20	960,000
Forfeited	**31.20**	**(28,700)**	–	–
Dividends reinvested:				
– allocated to awardees	**N/A**	**24,867**	–	–
– allocated to awardees but subsequently forfeited	**N/A**	**(261)**	–	–
Outstanding at 30 Sept 2006/ 31 Dec 2005	**31.20**	**955,906**	31.20	960,000

The fair value of the Awarded Shares awarded was based on the fair value (i.e. market value) of HKEx shares at award date, taking into account the expected dividends during the vesting periods.

(iii) As at 30 September 2006, 29,594 shares (forfeited shares and shares arising from dividends reinvested) were held by the HKEx Employee Share Trust and would be allocated to awardees in future (31 December 2005: Nil).

(iv) Had all the outstanding Awarded Shares been fully vested on 30 September 2006, the theoretical gains of the awardees based on the closing price of $56.85 per share on that date would have been $54,343,000.

27. Revaluation Reserves

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Leasehold buildings revaluation reserve (note b)	**2,268**	2,225
Investment revaluation reserve (note c and note d)	**(579)**	(39,311)
	1,689	(37,086)

(a) The revaluation reserves are segregated for their respective specific purposes and are stated net of applicable deferred taxes.

(b) Leasehold buildings are revalued on a six-monthly basis at the end of June and December each year.

(c) Included gross investment revaluation deficit of $41,000 and gross surplus of $45,000 which were attributable to investments of the Clearing House Funds and the Compensation Fund Reserve Account respectively (31 December 2005: gross deficits of $1,317,000 and $10,000 respectively).

(d) Included share of investment revaluation reserve of an associate of $19,000 (31 December 2005: $21,000).

28. Designated Reserves

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Clearing House Funds reserves		
– HKSCC Guarantee Fund reserve	**254,815**	250,444
– SEOCH Reserve Fund reserve	**67,041**	56,346
– HKCC Reserve Fund reserve	**295,556**	283,186
	617,412	589,976
Compensation Fund Reserve Account reserve	**39,906**	38,420
Development reserve (note b)	**–**	72,245
	657,318	700,641

(a) These reserves are segregated for their respective purposes.

(b) Development reserve was set aside for systems development for the Stock Exchange and the betterment of the securities market. During the nine months ended 30 September 2006, $72,245,000 (2005: $7,533,000) of the reserve was utilised and transferred to the Group's retained earnings (note 29) for funding projects that were for the betterment of the securities market.

29. Retained Earnings (Including Proposed/Declared Dividends)

	2006 **$'000**	As restated 2005 $'000
At 1 Jan, as previously reported		
Retained earnings	**1,775,631**	1,658,055
Proposed/declared dividends	**680,163**	496,620
	2,455,794	2,154,675
Effect of initial adoption of revised HKAS 27	**10**	–
At 1 Jan, as restated	**2,455,804**	2,154,675
Profit for the period/year (note a)	**1,674,029**	1,339,558
Surplus of investment income net of expenses of Clearing House Funds for the period/year transferred to Clearing House Funds reserves	**(27,436)**	(29,350)
Investment and other income net of expenses of Compensation Fund Reserve Account for the period/year transferred to Compensation Fund Reserve Account reserve	**(1,486)**	(1,303)
Transfer from Development reserve	**72,245**	11,008
	43,323	(19,645)
Dividends:		
2005/2004 final dividend	**(679,550)**	(496,620)
Dividend on shares issued for employee share options exercised after 31 Dec 2005/31 Dec 2004	**(1,038)**	(1,597)
	(680,588)	(498,217)
2006/2005 interim dividend	**(1,000,050)**	(519,988)
Dividend on shares issued for employee share options exercised after 30 Jun 2006/30 Jun 2005	**(257)**	(579)
	(1,000,307)	(520,567)
At 30 Sept 2006/31 Dec 2005	**2,492,261**	2,455,804
Representing:		
Retained earnings	**2,492,261**	1,776,254
Proposed/declared dividends	**–**	679,550
At 30 Sept 2006/31 Dec 2005	**2,492,261**	2,455,804

(a) The Group's profit for the period/year included a net profit attributable to investment and other income net of expenses after taxation of the Clearing House Funds and Compensation Fund Reserve Account for an aggregate amount of $28,922,000 (year ended 31 December 2005: $30,653,000).

30. Notes to the Condensed Consolidated Cash Flow Statement

(a) Reconciliation of profit before taxation to net cash inflow from operating activities:

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000
Profit before taxation	**1,966,018**	1,131,380
Adjustments for:		
Net interest income	**(245,837)**	(157,036)
Net realised and unrealised gains and interest income on financial assets and financial liabilities at fair value through profit or loss	**(140,137)**	(62,557)
Amortisation of lease premiums for land	**410**	410
Fair value gain of an investment property	**(1,400)**	(3,200)
Depreciation	**75,149**	125,548
Employee share-based compensation benefits	**17,972**	17,254
Reversal of impairment loss of a leasehold building	**(62)**	–
Provision for/(reversal of provision for) impairment losses of trade receivables	**358**	(425)
Changes in provisions	**(228)**	1,682
Share of profits less losses of associates	**(15,986)**	(12,992)
Gain on liquidation of an associate	**(6)**	–
Loss/(gain) on disposal of fixed assets	**668**	(52)
Net (increase)/decrease in financial assets and financial liabilities at fair value through profit or loss	**(69,511)**	25,928
Fair value (losses)/gains of hedging instruments deferred in hedging reserve	**(91)**	8
Settlement of amounts transferred from retained earnings to Clearing House Funds and Compensation Fund Reserve Account	**(28,922)**	(13,196)
Increase in accounts receivable, prepayments and deposits	**(1,687,268)**	(940,068)
Increase in other current liabilities	**1,761,460**	1,029,871
Net cash inflow from operations	**1,632,587**	1,142,555
Interest received	**400,421**	159,733
Cash received on financial assets at fair value through profit or loss	**70,064**	60,190
Interest paid	**(322,203)**	(65,258)
Hong Kong Profits tax paid	**(53,881)**	(107,346)
Net cash inflow from operating activities	**1,726,988**	1,189,874

(b) The net assets of the Clearing House Funds, Compensation Fund Reserve Account and Margin Funds are held in segregated accounts for specific purposes. Movements in individual items of the net assets of the funds during the period therefore did not constitute any cash or cash equivalent transactions to the Group.

31. Commitments

Commitments in respect of capital expenditures:

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Contracted but not provided for	**10,217**	18,130
Authorised but not contracted for	**67,313**	118,838
	77,530	136,968

The commitments in respect of capital expenditures were mainly for the development and purchases of computer systems.

32. Contingent Liabilities

(a) The Compensation Fund is a fund set up under the repealed SO for the purpose of compensating any person (other than a Stock Exchange Participant) dealing with a Stock Exchange Participant for any pecuniary losses suffered as a result of a default by the Stock Exchange Participant. According to section 109(3) of the repealed SO, the maximum compensation amount is $8 million for each Stock Exchange Participant's default. Under section 113(5A) of the repealed SO, the Stock Exchange may, upon satisfying certain conditions, and with the approval of the SFC, allow an additional payment to successful claimants before apportionment. Under section 107(1) of the repealed SO, the Stock Exchange has contingent liabilities to the Compensation Fund as it is obligated to replenish the Compensation Fund upon the SFC's request. The amounts to be replenished should be equal to the amount paid in connection with the satisfaction of the claims, including any legal and other expenses paid or incurred in relation to the claims but capped at $8 million per default. As at 30 September 2006, there were outstanding claims received in respect of four Stock Exchange Participants (31 December 2005: five), two of which had resigned their participantship in 2004.

Pursuant to the SFO, the Stock Exchange issued a notice on 3 April 2003 inviting claims against the Compensation Fund in relation to any default of a Stock Exchange Participant occurring before 1 April 2003. The claims period expired on 3 October 2003 and no claims were received in response to that notice. Claims made after the claims period are, unless the Stock Exchange otherwise determines, barred. As at 30 September 2006, no such claims had been received in response to the said notice.

Following the implementation of the new compensation arrangements under the SFO, an Investor Compensation Fund has been established to replace the existing Compensation Fund, the Commodity Exchange Compensation Fund and the Dealers' Deposit Schemes for non-exchange participant dealers. Pursuant to the SFO, Exchange Participants are no longer required to make deposits to the Investor Compensation Fund and the Stock Exchange is not required to replenish the Investor Compensation Fund. Hence, deposits to the Commodity Exchange Compensation Fund were returned to the Futures Exchange by the SFC in January 2004. The Futures Exchange had in turn reimbursed holders of Futures Exchange Trading Rights their contributions to the Commodity Exchange Compensation Fund. Similarly, deposits to the Compensation Fund would be returned to the Stock Exchange in accordance with the SFO pending completion of any determination of outstanding claims and replenishment to the Compensation Fund.

32. Contingent Liabilities (continued)

(b) The Stock Exchange has undertaken to indemnify the Collector of Stamp Revenue against any loss of revenue resulting from any underpayment or default or delay in payment of stamp duty by its Participants, up to $200,000 in respect of the default of any one Participant. In the unlikely event that all of its 425 trading Participants as at 30 September 2006 (31 December 2005: 429) defaulted, the maximum contingent liability of the Stock Exchange under the indemnity would amount to $85 million (31 December 2005: $86 million).

The carrying amount of the financial guarantee contract recognised in the Group's balance sheet in accordance with HKAS 39 and HKFRS 4 (Amendments) was $19,909,000 (31 December 2005: $19,909,000).

(c) HKEx gave an undertaking on 6 March 2000 in favour of HKSCC to contribute an amount not exceeding $50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEx or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEx, for payment of the debts and liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEx, and for the costs, charges and expenses of winding up.

33. Non-cash Collateral Received from Participants

Under existing rules of the clearing houses, Participants may lodge cash or approved non-cash collateral to satisfy their Clearing House contributions and Margin Fund obligations. In accordance with HKAS 39, only cash collateral is recognised as assets and liabilities on the balance sheet.

As at 30 September 2006, the amount of non-cash collateral received from Participants and the amount utilised for covering part of their Clearing House Fund contributions and Margin Fund obligations were as follows:

	At 30 Sept 2006		At 31 Dec 2005	
	Amount received $'000	**Amount utilised $'000**	Amount received $'000	Amount utilised $'000
Clearing House Funds				
Bank guarantees	**547,770**	**430,345**	333,900	58,603
Margin Funds				
Equity securities, listed in Hong Kong	**1,048,894**	**–**	439,591	–
US Treasury Bills	**1,002,311**	**742,543**	191,965	141,086
Hong Kong Exchange Fund Notes	**2,997**	**–**	–	–
Bank guarantees	**194,000**	**128,322**	100,000	–
	2,248,202	**870,865**	731,556	141,086
	2,795,972	**1,301,210**	1,065,456	199,689

34. Material Related Party Transactions

Certain Directors of HKEx are investor participants of HKSCC ("Investor Participants") or directors and/or shareholders of (i) Stock Exchange Participants and Futures Exchange Participants ("Exchange Participants"), Clearing Participants and Investor Participants; (ii) companies listed on the Stock Exchange; and (iii) Exchange Participants for buying shares on behalf of HKSCC. Securities and derivatives contracts traded by, and fees levied on, these Exchange Participants, Clearing Participants and Investor Participants, fees levied on these listed companies and fees paid to these Exchange Participants for buying shares on behalf of HKSCC are all undertaken in the ordinary course of business of the Group on the standard terms and conditions applicable to all other Exchange Participants, Clearing Participants, Investor Participants, listed companies and Exchange Participants for buying shares on behalf of HKSCC.

In addition to the above, the Group has entered into the following transactions with related parties:

(a) Related companies with common directors

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Rental payments (including air conditioning and cleaning service charges) to Shine Hill Development Limited ("Shine Hill")	**1,757**	3,970	**–**	1,302

On 16 February 2005, the Futures Exchange as the tenant renewed the lease in respect of the tenancy of an office premises ("Lease") with Shine Hill as the landlord for a term of two years commencing 1 January 2005. The Futures Exchange is a wholly-owned subsidiary of HKEx. When the Lease was renewed, Shine Hill was a subsidiary of Great Eagle Holdings Limited ("Great Eagle"), and Dr LO Ka Shui, an Independent Non-executive Director of HKEx retired on 26 April 2006, was the deputy chairman, managing director and substantial shareholder of Great Eagle. The Lease was an arm's length transaction entered into on normal commercial terms. The rental payments for the nine months ended 30 September 2006 disclosed above represented expenses incurred up to 26 April 2006.

34. Material Related Party Transactions (continued)

(b) Transactions with associates

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Income received and receivable from/(expenses paid and payable to) associates:				
CHIS				
– Dividend income	**13,500**	17,952	**6,000**	5,284
– Share registration service fees	**(493)**	(364)	**(239)**	(95)
AWPS				
– Liquidation proceeds	**1,312**	–	**–**	–

(c) Key management personnel compensation

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Salaries and other short-term employee benefits	**43,965**	39,142	**14,738**	13,174
Employee share-based compensation benefits	**4,522**	7,256	**(83)**	2,392
Retirement benefit costs	**4,163**	4,116	**1,387**	1,362
	52,650	50,514	**16,042**	16,928

(d) Amounts due from/(to) related parties

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Amounts due from:		
– An associate	**–**	5,284
– Related companies with common directors	**–**	867
Amounts due to:		
– An associate	**(216)**	(14)
– Related companies with common directors	**–**	(113)

(e) Post-retirement benefit plans

Details of transactions with the Group's post-retirement benefit plans are included in note 8.

(f) Save as aforesaid, the Group has entered into other transactions in the ordinary course of business with companies where there are common directors but the amounts were immaterial.

35. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, equity price risk and interest rate risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

The Group's investment policy is to prudently invest all funds managed by the Group in a manner which will satisfy liquidity requirements, safeguard financial assets and manage risks while optimising return on investments.

Investment and fund management is governed by investment policies and risk management guidelines approved by the Board. Investment restrictions and guidelines form an integral part of risk control. Fund-specific restrictions and guidelines are set according to the investment objectives of each fund. In addition, specific limits are set for each fund to control risks (e.g. permissible asset type, asset allocation, liquidity, credit, counterparty concentration, maturity, foreign exchange and interest rate risks) of the investments.

(a) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity and commodity prices and interest rates. The Group is exposed to market risk primarily through its investments held.

Funds available for investment comprise three main categories: Corporate Funds (mainly share capital and retained earnings of the Group), Clearing House Funds and Margin Funds received (which exclude non-cash collateral and contributions receivable from Participants).

An Investment Advisory Committee, comprised of Non-executive Directors of HKEx and an external member from the financial community, advises the Board on portfolio management and monitors the risk and performance of HKEx's investments. A Treasury team in the Finance Department is dedicated to the day-to-day management and investment of the funds. Three external fund managers have also been appointed to manage part of the Corporate Funds since July 2001. The external fund managers are stable and financially strong financial institutions and each has a worldwide aggregate fund size of a minimum of US$10 billion under management.

35. Financial Risk Management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments and transactions denominated in foreign currencies. When seeking to optimise the returns on its funds available for investment, the Group may invest in non-HKD securities from time to time. Forward foreign exchange contracts and foreign currency deposits have been used to hedge the currency exposure of the Group's non-HKD investments, highly probable forecast transactions and liabilities to mitigate risks arising from fluctuations in exchange rates. As at 30 September 2006, the aggregate net open foreign currency positions amounted to HK$2,188 million, of which HK$242 million were non-USD exposures (31 December 2005: HK$2,031 million, of which HK$160 million were non-USD exposures), and the total nominal value of outstanding forward foreign exchange contracts amounted to HK$332 million (31 December 2005: HK$275 million). All forward foreign exchange contracts would mature within one month (31 December 2005: one month).

Foreign currency margin deposits received by the Group are hedged by investments in the same currencies.

The Group had entered into the following hedges as at 30 September 2006:

Cash flow hedges

In 2005, the Group designated a bank deposit of 8,500,000 Swedish Krona ("SEK") as a cash flow hedge for hedging the foreign exchange risk of forecast information technology and computer maintenance expenses of SEK 8,500,000 from August to December 2005. During the period ended 30 September 2006, SEK 7,567,000 of the deposit was used to pay the said expenses.

In 2006, the Group designated bank deposits of SEK17,680,000 as cash flow hedges for hedging the foreign exchange risk of forecast information technology and computer maintenance expenses of SEK 17,680,000 from May to December 2006. As at 30 September 2006, no payment had been made to settle any of the forecast expenses.

As at 30 September 2006, the fair value of the bank deposits designated as cash flow hedges held by the Group was $19,791,000 (31 December 2005: $8,281,000). The fair value loss on the bank deposits deferred in the hedging reserve as of 30 September 2006 will be released to the profit and loss account between October to December 2006 when the forecast expenses being hedged materialise.

35. Financial Risk Management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The ineffectiveness of cash flow hedges during the period was as follows:

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Ineffectiveness of cash flow hedges charged/(credited) to profit and loss account	**1**	–	**(2)**	–

Fair value hedges

In 2005, the Group designated a bank deposit of SEK 11,000,000 as a fair value hedge to hedge against the foreign exchange risk of financial liabilities of SEK 11,000,000. SEK 7,556,000 of the deposit was used to settle the financial liability during the period ended 30 September 2006.

In 2006, the Group designated bank deposits of SEK 9,100,000 as fair value hedges to hedge against the foreign exchange risk of financial liabilities of SEK 9,100,000. As at 30 September 2006, no payment had been made to settle any of the financial liabilities.

As at 30 September 2006, the fair value of the bank deposits designated as fair value hedges was $13,337,000 (31 December 2005: $10,717,000).

The fair value change of hedging instruments and hedged items during the period was as follows:

	Nine months ended 30 Sept 2006 $'000	Nine months ended 30 Sept 2005 $'000	**Three months ended 30 Sept 2006 $'000**	Three months ended 30 Sept 2005 $'000
Fair value gain/(loss) on bank deposits	**607**	(246)	**(188)**	(246)
Fair value gain/(loss) on financial liabilities	**(607)**	246	**188**	246
	–	–	**–**	–

(ii) Equity and commodity price risk

The Group is exposed to equity price risk as equities are held as part of the Corporate Fund's investments. Equity price risk is capped by an asset allocation limit. The Group is not exposed to commodity price risk as investment in commodities is not permitted under the Group's Investment Policy.

35. Financial Risk Management (continued)

(a) Market risk (continued)

(iii) Interest rate risks

There are two types of interest rate risk:

- Fair value interest rate risk - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- Cash flow interest rate risk - the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to both fair value and cash flow interest rate risks as the Group has significant assets and liabilities which are interest-bearing.

(iv) Risk management

Risk management techniques, such as Value-at-Risk ("VaR") based on historical simulation and portfolio stress testing, are used to identify, measure and control foreign exchange risk, equity price risk and interest rate risks of the Group's investments. VaR measures the expected maximum loss over a given time interval (a holding period of 10 trading days is used by the Group) at a given confidence level (95 per cent confidence interval is adopted by the Group) based on historical data (one year is used by the Group). The Board sets a limit on total VaR of the Group and VaR is monitored on a weekly basis.

VaR is a statistical measure of risks and has limitations associated with the assumptions employed. Historical simulation assumes that actual observed historical changes in market indices, such as interest rates, foreign exchange rates and equity prices, reflect possible future changes. This implies that the approach is vulnerable to sudden changes in market behaviour. The use of a 10-day holding period assumes that the positions can be unwound in 10 trading days and the holding period may be insufficient at times of severe illiquidity. Also, VaR does not necessarily reflect all aspects of risks that affect the price of financial instruments and may underestimate real market risk exposure. In addition, VaR does not factor in the possibility of catastrophic risk but the use of stress testing for abnormal market conditions can mitigate this limitation.

The VaR for each risk factor and the total VaR of the investments of the Group during the period were as follows:

	Nine months ended 30 Sept 2006			Nine months ended 30 Sept 2005		
	Average $million	**Highest $million**	**Lowest $million**	Average $million	Highest $million	Lowest $million
Foreign exchange risk	**6.1**	**7.4**	**4.9**	5.0	6.1	3.6
Equity price risk	**11.0**	**13.0**	**9.0**	8.0	9.5	6.6
Interest rate risk	**11.8**	**13.9**	**9.0**	21.7	24.0	17.9
Total VaR	**18.2**	**20.6**	**15.9**	23.8	26.9	20.9

35. Financial Risk Management (continued)

(a) Market risk (continued)

(iv) Risk management (continued)

VaR for each risk factor is the independently derived largest potential loss due to fluctuations solely in that risk factor. The individual VaRs did not add up to the total VaR as there was diversification effect due to correlation amongst the risk factors. Moreover, in respect of the highest and lowest VaRs during the period, the highest and lowest VaRs in each market did not necessarily occur on the same day.

(b) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Investments of the Group are kept sufficiently liquid to meet the operating needs and possible liquid requirements of the Clearing House Funds and Margin Funds. The Group also sets a limit on the minimum level of cash or bank deposits held for the Corporate Funds, and the minimum level of investments to be held that would mature the same day and the next day for the Clearing House Funds and Margin Funds.

The financial liabilities of the Group as at 30 September 2006 are analysed into relevant maturity buckets based on their contractual maturity dates in the table below:

	At 30 Sept 2006					
	Up to 1 month $'000	> 1 month to 3 months $'000	> 3 months to 1 year $'000	> 1 year to 5 years $'000	Not Determinable $'000	Total $'000
Current liabilities						
Margin deposits from Clearing Participants on derivatives contracts	**18,204,633**	**–**	**–**	**–**	**–**	**18,204,633**
Accounts payable, accruals and other liabilities	**5,407,339**	**527**	**121,474**	**144**	**17,454**	**5,546,938**
Financial liabilities at fair value through profit or loss (note i)	**185,441**	**–**	**–**	**–**	**–**	**185,441**
Participants' admission fees received	**1,000**	**100**	**150**	**–**	**400**	**1,650**
	23,798,413	**627**	**121,624**	**144**	**17,854**	**23,938,662**
Non-current liabilities						
Participants' admission fees received	**–**	**–**	**–**	**–**	**79,900**	**79,900**
Participants' contributions to Clearing House Funds	**–**	**–**	**–**	**–**	**1,609,965**	**1,609,965**
Financial guarantee contract (note ii)	**–**	**–**	**–**	**–**	**85,000**	**85,000**
	–	**–**	**–**	**–**	**1,774,865**	**1,774,865**
Total	**23,798,413**	**627**	**121,624**	**144**	**1,792,719**	**25,713,527**

35. Financial Risk Management (continued)

(b) Liquidity risk (continued)

	At 31 Dec 2005 (as restated)				
	Up to 1 month $'000	> 1 month to 3 months $'000	> 3 months to 1 year $'000	Not Determinable $'000	Total $'000
Current liabilities					
Margin deposits from Clearing Participants on derivatives contracts	13,648,581	–	–	–	13,648,581
Accounts payable, accruals and other liabilities	3,596,565	30,405	191	13,910	3,641,071
Financial liabilities at fair value through profit or loss (note i)	153,973	–	–	–	153,973
Participants' admission fees received	900	150	1,300	200	2,550
	17,400,019	30,555	1,491	14,110	17,446,175
Non-current liabilities					
Participants' admission fees received	–	–	–	80,150	80,150
Participants' contributions to Clearing House Funds	–	–	–	751,751	751,751
Financial guarantee contract (note ii)	–	–	–	85,800	85,800
	–	–	–	917,701	917,701
Total	17,400,019	30,555	1,491	931,811	18,363,876

(i) The amount disclosed is based on the gross contractual amounts to be exchanged under the forward foreign exchange contracts under financial liabilities at fair value through profit or loss, which is different from the carrying amount (i.e. fair value) in the condensed consolidated balance sheet. The corresponding gross contractual amounts receivable under these forward foreign exchange contracts were $181,988,000 (31 December 2005: $152,530,000).

(ii) The amount disclosed for financial guarantee contracts represented the amount of contingent liabilities at the balance sheet date.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. In addition, banking facilities have been put in place for contingency purposes. As at 30 September 2006, the Group's total available banking facilities amounted to $1,611 million (31 December 2005: $1,608 million), of which $1,500 million (31 December 2005: $1,500 million) were repurchase facilities to augment the liquidity of the Margin Funds.

35. Financial Risk Management (continued)

(c) Credit risk

(i) Investment and accounts receivable-related risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's investments and trade receivables. Impairment provisions are made for losses that have been incurred at the balance sheet date. The Group limits its exposure to credit risk by rigorously selecting the counterparties (i.e. deposit-takers, bond issuers and debtors) and by diversification. As at 30 September 2006, the bonds held were of investment grade and had a weighted average credit rating of Aa2 (31 December 2005: Aa2), and there were no financial assets whose terms were renegotiated (31 December 2005: $Nil). Deposits are placed only with the note-issuing banks in Hong Kong, investment grade licensed banks and restricted licence banks approved by the Board from time to time. All investments are subject to a maximum concentration limit approved by the Board and there was no significant concentration risk to a single counterparty. The Group mitigates its exposure to risks relating to accounts receivable from its Participants by requiring the Participants to meet the Group's established financial requirements and criteria for admission as Participants.

(ii) Clearing and settlement-related risk

In the normal course of business, the clearing houses of the Group, HKSCC, SEOCH and HKCC, act as the counterparties to eligible trades concluded on the Stock Exchange and the Futures Exchange through the novation of the obligations of the buyers and sellers. HKSCC is also responsible for the good title to the securities deposited and accepted in the CCASS depository. As a result, the Group has considerable market risk and credit risk since the Participants' ability to honour their obligations in respect of their trades and securities deposited may be adversely impacted by economic conditions affecting the Cash and Derivatives Markets. If the Participants default on their obligations on settlement or there are defects in the title of securities deposited and accepted in the CCASS depository, the Group could be exposed to potential risks not otherwise accounted for in these accounts.

35. Financial Risk Management (continued)

(c) Credit risk (continued)

(ii) Clearing and settlement-related risk (continued)

The Group mitigates its exposure to risks described above by requiring the Participants to meet the Group's established financial requirements and criteria for admission as Participants, monitoring compliance with risk management measures such as position limits established by the Group and requiring Clearing Participants to contribute to the Clearing House Funds set up by HKSCC, SEOCH and HKCC. HKSCC also retains recourse against those Participants whose securities are deposited and accepted in the CCASS depository. Moreover, insurance has been taken out by the Group to cover the risks.

Position limits are imposed by HKCC to regulate or limit the maximum number or value of gross and net positions which can be held or controlled by the Participants based on their liquid capital. Bank guarantees may also be accepted to extend Participants' position limits. As of 30 September 2006, bank guarantees of $1,486,500,000 (31 December 2005: $915,400,000) were accepted for such purpose.

In addition to the above, the Group has set aside $1,500 million of retained earnings for the purpose of strengthening the risk management regime of the clearing houses and supporting their roles as central counterparties.

35. Financial Risk Management (continued)

(c) Credit risk (continued)

(iii) Exposure to credit risk

As at 30 September 2006, the financial assets and financial liabilities of the Group that were exposed to credit risk and their maximum exposure were as follows:

	At 30 Sept 2006		As restated At 31 Dec 2005	
	Carrying amount in balance sheet $'000	**Maximum exposure to credit risk $'000**	Carrying amount in balance sheet $'000	Maximum exposure to credit risk $'000
Financial assets				
Clearing House Funds:				
Available-for-sale financial assets	**317,144**	**317,144**	224,137	224,137
Time deposits with original maturities over three months	**–**	**–**	30,290	30,290
Cash and cash equivalents	**1,918,542**	**1,918,542**	1,091,233	1,091,233
Compensation Fund Reserve Account:				
Available-for-sale financial assets	**22,175**	**22,175**	18,488	18,488
Cash and cash equivalents	**28,641**	**28,641**	30,240	30,240
Time deposit with maturity over one year	**38,961**	**38,961**	38,768	38,768
Other assets	**18,550**	**18,550**	17,162	17,162
Accounts receivable and deposits #	**4,976,202**	**4,976,202**	3,250,197	3,250,197
Margin Funds on derivatives contracts:				
Available-for-sale financial assets	**9,381,922**	**9,381,922**	3,828,833	3,828,833
Time deposits with original maturities over three months	**56,988**	**56,988**	100,018	100,018
Cash and cash equivalents	**9,072,511**	**9,072,511**	9,686,026	9,686,026
Margin receivable from Clearing Participants	**2,034**	**2,034**	33,704	33,704
Financial assets at fair value through profit or loss	**2,776,920**	**2,776,920**	2,643,788	2,643,788
Available-for-sale financial assets	**86,939**	**86,939**	–	–
Time deposits with original maturities over three months	**21,312**	**21,312**	116,622	116,622
Cash and cash equivalents	**1,592,206**	**1,592,206**	1,359,133	1,359,133
Financial liabilities				
Undertaking to indemnify the Collector of Stamp Revenue	**(19,909)**	**85,000**	(19,909)	85,800

Certain debtors were required to place cash deposits with the Group to mitigate the maximum exposure to credit risk.

35. Financial Risk Management (continued)

(c) Credit risk (continued)

(iv) Financial assets that were past due but not impaired

As at 30 September 2006, the age analysis of the trade receivables of the Group that were past due but not determined to be impaired according to the period past due was as follows:

	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000
Up to 6 months	**24,502**	141,277
Over 6 months to 1 year	**–**	–
Over 1 year to 3 years*	**6,838**	8,521
Over 3 years*	**1,813**	142
Total	**33,153**	149,940

* No provision for impairment losses has been made against trade receivables amounting to $8,510,000 (31 December 2005: $8,521,000) as the balances can be recovered from the Clearing House Funds.

The fair value of cash deposits placed by the related trade debtors with the Group was $4,317,000 (31 December 2005: $3,600,000).

(v) Financial assets that were impaired at balance sheet date

As at 30 September 2006, trade receivables of the Group amounting to $4,687,000 (31 December 2005: $4,329,000) were determined to be impaired and full provision had been made. These receivables were outstanding for over 180 days as at the balance sheet date or were due from companies with financial difficulties. The factors the Group considered in determining whether the financial assets were impaired were disclosed in the 2005 annual accounts. No cash deposits had been placed by the related trade debtors with the Group (31 December 2005: $Nil).

(vi) Outstanding balances from debtors which were not recognised as income

As soon as a loan or receivable becomes impaired, the Group may continue to provide services or facilities to the debtors concerned but no further accounts receivable will be recognised on balance sheet as economic benefits may not flow to the Group. The revenue concerned is not recognised but tracked as doubtful deferred revenue and will only be recognised as income when received. As at 30 September 2006, the amount of doubtful deferred revenue amounted to $38,233,000 (31 December 2005: $37,643,000).

35. Financial Risk Management (continued)

(d) Fair values of financial assets and financial liabilities not reported at fair values

Summarised in the following table are the carrying amounts and fair values of financial assets and financial liabilities not presented in the Group's balance sheet at their fair values. The carrying amounts of short-term receivables (i.e. accounts receivable, deposits and cash and cash equivalents) and short-term payables (i.e. accounts payable and other liabilities) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

	Carrying amount in balance sheet		**Fair value**	
	At 30 Sept 2006 $'000	At 31 Dec 2005 $'000	**At 30 Sept 2006 $'000**	At 31 Dec 2005 $'000
Financial assets				
Time deposit with maturity over one year	**38,961**	38,768	**37,279**	36,659
Other financial assets included in other non-current assets (note i)	**18,550**	17,162	**17,049**	15,550
Financial liabilities				
Participants' admission fees received included in non-current liabilities (note i)	**79,900**	80,150	**76,595**	76,732
Participants' contributions to Clearing House Funds:				
– Minimum contributions (note i)	**360,000**	358,050	**345,109**	342,779
– Participants' additional deposits	**1,249,965**	393,701	**1,249,965**	393,701
Financial guarantee contract (note ii)	**19,909**	19,909	**21,574**	20,526

(i) The fair values are based on cash flows discounted using Hong Kong Government bond rates of a tenor similar to the contractual maturity of the respective assets/liabilities, adjusted by an estimated credit spread. Assets/liabilities without a contractual maturity are assumed to mature exactly one year after the balance sheet date. The discount rates used ranged from 4.32 per cent to 4.33 per cent as at 30 September 2006 (31 December 2005: 4.46 per cent to 4.64 per cent).

(ii) The fair values are based on the fees charged by financial institutions for granting such guarantees discounted using a ten-year Hong Kong Government bond rate to perpetuity. The discount rate was 3.94 per cent as at 30 September 2006 (31 December 2005: 4.18 per cent).