



2007 Interim Report





We live in times of continual change. New creations, new perspectives and new environments are shaped every day. The universal search for quality, however, is constant. That is why while we embrace innovation, we remain steadfast in our standards and values. HKEx works not just to secure a market of success for today, but to create a market of lasting value for many years to come.

CONTENTS

(Financial figures in this interim report are expressed in HKD unless otherwise stated)

2	FINANCIAL HIGHLIGHTS
3	MARKET HIGHLIGHTS
4	CHRONOLOGY OF EVENTS
8	CORPORATE INFORMATION
10	SHAREHOLDING ANALYSIS
MANAGEMENT DISCUSSION AND ANALYSIS	
13	Business Review
29	Financial Review
38	Prospects
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
39	Condensed Consolidated Profit and Loss Account
40	Condensed Consolidated Statement of Changes in Equity
42	Condensed Consolidated Balance Sheet
44	Condensed Consolidated Cash Flow Statement
45	Notes to the Condensed Consolidated Accounts (Unaudited)
83	AUDIT COMMITTEE REPORT
84	AUDITORS' INDEPENDENT REVIEW REPORT
85	OTHER INFORMATION
92	INFORMATION FOR STAKEHOLDERS
95	GLOSSARY

FINANCIAL HIGHLIGHTS

	Six months ended 30 Jun 2007	Six months ended 30 Jun 2006	Change	Three months ended 30 Jun 2007	Three months ended 30 Jun 2006	Change
KEY MARKET STATISTICS						
Average daily turnover value on the Stock Exchange	\$59.2 billion	\$32.6 billion	82%	\$65.9 billion	\$34.1 billion	93%
Average daily number of derivatives contracts traded on the Futures Exchange	145,852	97,471	50%	147,572	107,681	37%
Average daily number of stock options contracts traded on the Stock Exchange	131,040	63,411	107%	137,742	65,038	112%
	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Change	Unaudited Three months ended 30 Jun 2007 \$'000	Unaudited Three months ended 30 Jun 2006 \$'000	Change
RESULTS						
Income	3,156,938	1,895,248	67%	1,757,999	1,041,121	69%
Operating expenses	665,644	596,488	12%	343,001	303,961	13%
Operating profit	2,491,294	1,298,760	92%	1,414,998	737,160	92%
Gain on disposal of an associate	206,317	-	N/A	206,317	-	N/A
Share of profits of associates	5,587	9,252	(40%)	-	6,032	(100%)
Profit before taxation	2,703,198	1,308,012	107%	1,621,315	743,192	118%
Taxation	(372,897)	(199,701)	87%	(213,551)	(113,720)	88%
Profit attributable to shareholders	2,330,301	1,108,311	110%	1,407,764	629,472	124%
Basic earnings per share	\$2.19	\$1.04	111%	\$1.32	\$0.59	124%
Diluted earnings per share	\$2.16	\$1.03	110%	\$1.31	\$0.58	126%
Interim dividend declared per share	\$1.79	\$0.94	90%	\$1.79	\$0.94	90%
Dividend payout ratio	82%	90%	N/A	N/A	N/A	N/A
Dividend payout ratio (excluding gain on disposal of an associate)	90%	90%	N/A	N/A	N/A	N/A
	Unaudited at 30 Jun 2007 \$'000	Audited at 31 Dec 2006 \$'000	Change			
KEY BALANCE SHEET ITEMS						
Shareholders' funds	6,348,521	5,257,586	21%			
Total assets *	48,972,467	40,453,298	21%			
Net assets per share #	\$5.95	\$4.94	20%			

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

Based on 1,067,670,846 shares as at 30 June 2007, being 1,068,959,346 shares issued and fully paid less 1,288,500 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)

MARKET HIGHLIGHTS

(Six months ended 30 June 2007)

Securities Market

	Main Board	GEM	Total
Market capitalisation (as at 30 June 2007)	\$15,704.5 billion	\$150.2 billion	\$15,854.7 billion
Total funds raised	\$187.3 billion	\$6.4 billion	\$193.7 billion
Funds raised by IPOs	\$98.1 billion	–	\$98.1 billion
Funds raised in secondary markets	\$89.2 billion	\$6.4 billion	\$95.6 billion
Number of newly listed companies	32 *	–	32
Number of listed companies (as at 30 June 2007)	1,002	194	1,196
Total turnover	\$7,097.6 billion	\$71.6 billion	\$7,169.2 billion
Total turnover of warrants	\$1,361.8 billion	\$17.8 million	\$1,361.8 billion

* Of which two were transfer of listing from GEM

Figures have been rounded

Derivatives Market

Futures	Volume (Contracts)
HSI Futures	7,469,140
Mini-HSI Futures	1,429,332
H-shares Index Futures	3,977,818

Options	Volume (Contracts)
HSI Options	3,765,331
Stock Options	15,855,846

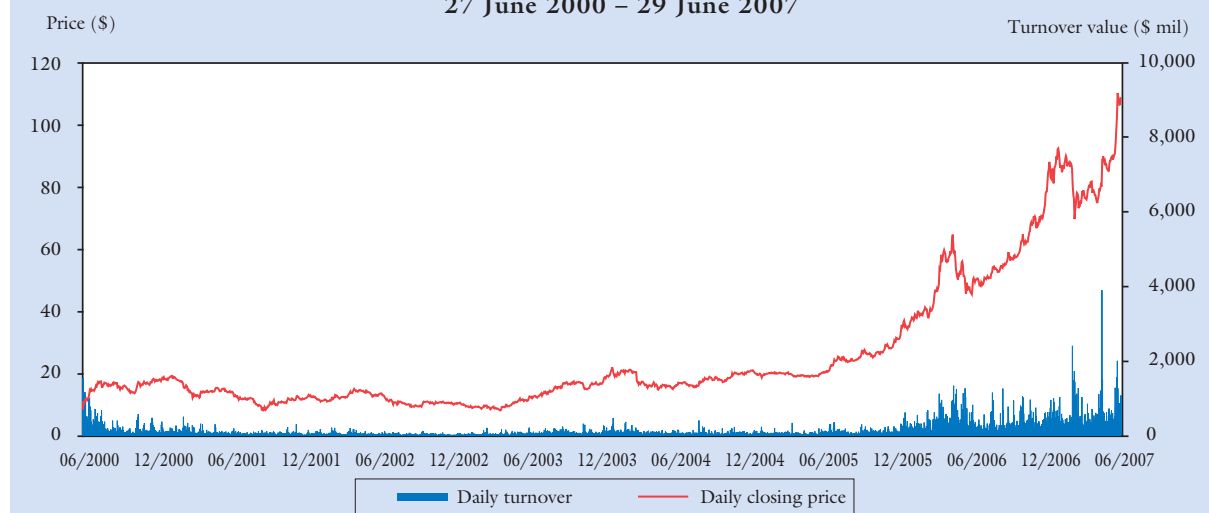
HKEx SHARE HIGHLIGHTS

(Six months ended 30 June 2007)

Trading Data 2007

Stock code	388
26-week range closing price	High: \$110.5 Low: \$69.6
Market capitalisation (as at 30 June 2007)	\$118.1 billion
Issued capital (as at 30 June 2007)	1,068,959,346 shares
Average daily turnover volume	7,857,590 shares
Average daily turnover value	\$664.3 million

Share price and turnover of HKEx shares
27 June 2000 – 29 June 2007



CHRONOLOGY OF EVENTS

2 January

Introduced new features to the SSA with Statement Service

12 January

Signed an MOU on the funding arrangements for the Financial Reporting Council

25 January

Participated in a conference in Vietnam to promote listing in Hong Kong

29 January

Implemented enhancements to AMS/3

8 February

Opened a Public Viewing Room where investors can search and view issuers' announcements, notices and other documents on the HKEx websites (including the GEM website), and can access the SFC website

22 February

Invited interested parties to submit information on their qualifications for study of the feasibility of trading commodities derivatives and emissions-related products in Hong Kong

7 March

Published a Joint Policy Statement with the SFC regarding the listing of overseas companies in Hong Kong

Introduced a tender service for trading rights

8 March

Launched the corporate governance webpage on the corporate website featuring HKEx's corporate governance structure and achievements

21 March

Released a Consultation Paper on the Introduction of a Closing Auction Session for the securities market

21-24 March

Hosted the 26th Asian and Oceanian Stock Exchange Federation General Assembly and Working Committee Meeting



26 March

Increased the size of the maximum order in AMS/3 from 600 to 3,000 board lots

28 March

Signed an MOU with the Abu Dhabi Securities Market on cooperation and the exchange of information



29 March

Signed an agreement to sell HKEx's 30 per cent interest in CHIS to Computershare Limited of Australia for approximately \$270 million. The sale was completed on 3 April

30 March

Published a report on the market's implementation of the CG Code

2 April

Upgraded the news alert service available through the Investment Service Centre on the HKEx website

Shortened the delay for free market data to 15 minutes for the Cash and Derivatives Markets

Offered a third calendar quarter expiry month in five stock option classes

13 April

Participated in the "Third Russian IPO Congress" in Moscow

16 April

Introduced Hang Seng China H-Financials Index Futures

18 and 26 April

Offered investors more choices in ETFs with the listing of the market's first global and regional equity ETFs and the listing of the first ETFs on US equities (Nasdaq stocks) and commodities

24 April

Named by The Asset as one of the best companies in Hong Kong in terms of corporate governance in the magazine's annual Corporate Governance Rankings 2007

27 April

The listing of China CITIC Bank Corporation Ltd, the second Mainland company to simultaneously list H shares in Hong Kong and A shares in Shanghai



3 May

Forfeited the unclaimed final dividend for 2000

31 May

Hosted a discussion forum on strengthening Hong Kong as China's international capital formation centre

7 May

Renewed the maintenance contract with OMX for the support of the Derivatives Market's trading, clearing and settlement systems



11 May

Participated in the "IPO in Hong Kong" conference in the Republic of Kazakhstan

Issued a joint statement with The Hong Kong Institute of Directors to provide guidance to listed issuers on disclosures regarding director resignation

22 June

Published a Statement on Settlement of Cases involving Listing Rules Breaches

25 June

Implemented the EDP, making it optional for listed issuers to publish full paid announcements in newspapers

**1 July**

Introduced a new Market Data Package to encourage real-time data providers to offer news and commentary on HKEx's markets

3 July

Signed an MOU with Moscow Interbank Currency Exchange, which operates equity, bond, currency, commodity and derivatives markets, on cooperation and information exchange

Offered a third calendar quarter expiry month in five more stock option classes

**9 July**

Introduced further improvements to the SSA with Statement Service

13 July

Recorded the market capitalisation of over \$17 trillion the first time for the Main Board and GEM

18 July

Signed agreements with two consultants to study the feasibility of trading commodities derivatives and emissions-related products in Hong Kong

19 July

Published Consultation Conclusions on the Introduction of a Closing Auction Session

27 July

Published a Consultation Paper on GEM

1 August

Achieved record daily market turnover of about \$122.4 billion for the Cash Market

3 August

Announced plans to suspend the tick rule in the Cash Market effective the fourth quarter of 2007

CORPORATE INFORMATION

Board of Directors

Independent Non-executive Chairman

ARCULLI, Ronald Joseph* GBS, JP

Executive Director, Chief Executive

CHOW Man Yiu, Paul SBS, JP

Independent Non-executive Directors

CHA May-Lung, Laura* SBS, JP

CHENG Mo Chi, Moses* GBS, JP

CHEUNG Kin Tung, Marvin* SBS, JP
(re-appointment effective 26 April 2007)

FAN Hung Ling, Henry* SBS, JP
(re-appointment effective 26 April 2007)

FONG Hup* MH
(re-appointment effective 26 April 2007)

KWOK Chi Piu, Bill

LEE Kwan Ho, Vincent Marshall

LOH Kung Wai, Christine

STRICKLAND, John Estmond GBS, JP
(re-elected on 26 April 2007)

WEBB, David Michael

WONG Sai Hung, Oscar
(re-elected on 26 April 2007)

* Government Appointed Directors

Committees

Audit Committee

CHEUNG Kin Tung, Marvin (Chairman)
(retired as member on 26 April 2007
and appointed as Chairman on 27 April 2007)

STRICKLAND, John Estmond (ex-Chairman)
(retired on 26 April 2007)

FONG Hup (Deputy Chairman)
(re-appointment effective 27 April 2007)

CHENG Mo Chi, Moses

LEE Kwan Ho, Vincent Marshall

WEBB, David Michael
(appointment effective 27 April 2007)

Executive Committee

ARCULLI, Ronald Joseph (Chairman)

CHOW Man Yiu, Paul

FONG Hup
(re-appointment effective 27 April 2007)

KWOK Chi Piu, Bill

LEE Kwan Ho, Vincent Marshall

Investment Advisory Committee

STRICKLAND, John Estmond (Chairman)
(appointment effective 27 April 2007)

FAN Hung Ling, Henry (ex-Chairman)
(retired on 26 April 2007)

WONG Sai Hung, Oscar (Deputy Chairman)
(re-appointment effective 27 April 2007)

CHA May-Lung, Laura

SUN Tak Kei, David

WEBB, David Michael

Nomination Committee

ARCULLI, Ronald Joseph (Chairman)

FAN Hung Ling, Henry
(appointment effective 27 April 2007)

FONG Hup
(retired on 26 April 2007)

LEE Kwan Ho, Vincent Marshall

STRICKLAND, John Estmond
(appointment effective 27 April 2007)

WEBB, David Michael

WONG Sai Hung, Oscar
(retired on 26 April 2007)

Panel Member Nomination Committee

CHA May-Lung, Laura (Chairman)
(re-appointment effective 1 June 2007)

FONG Hup
(re-appointment effective 27 April 2007)

KWOK Chi Piu, Bill

LEE Kwan Ho, Vincent Marshall

WONG Sai Hung, Oscar
(re-appointment effective 27 April 2007)

Remuneration Committee

ARCULLI, Ronald Joseph (Chairman)
(appointment effective 27 April 2007)

CHEUNG Kin Tung, Marvin (ex-Chairman)
(retired on 26 April 2007)

CHA May-Lung, Laura
(appointment effective 27 April 2007)

CHENG Mo Chi, Moses

FONG Hup
(retired on 26 April 2007)

LEE Kwan Ho, Vincent Marshall

LOH Kung Wai, Christine

Risk Management Committee

(established under Section 65 of the SFO)

ARCULLI, Ronald Joseph (Chairman)

CHAN Ka-lok**
(re-appointment effective 1 July 2007)

CHEUNG Kin Tung, Marvin
(appointment effective 27 April 2007)

FAN Hung Ling, Henry
(retired on 26 April 2007)

FONG Hup**
(re-appointment effective 1 July 2007)

HE Guangbei**

KWOK Chi Piu, Bill

LUI Kei Kwong, Keith**

YUE Wai Man, Eddie**

** Appointed by the Financial Secretary

Company Secretary

MAU Kam Shing, Joseph

Authorised Representatives

CHOW Man Yiu, Paul

MAU Kam Shing, Joseph

Auditors

PricewaterhouseCoopers

Legal Advisers

Allen & Overy

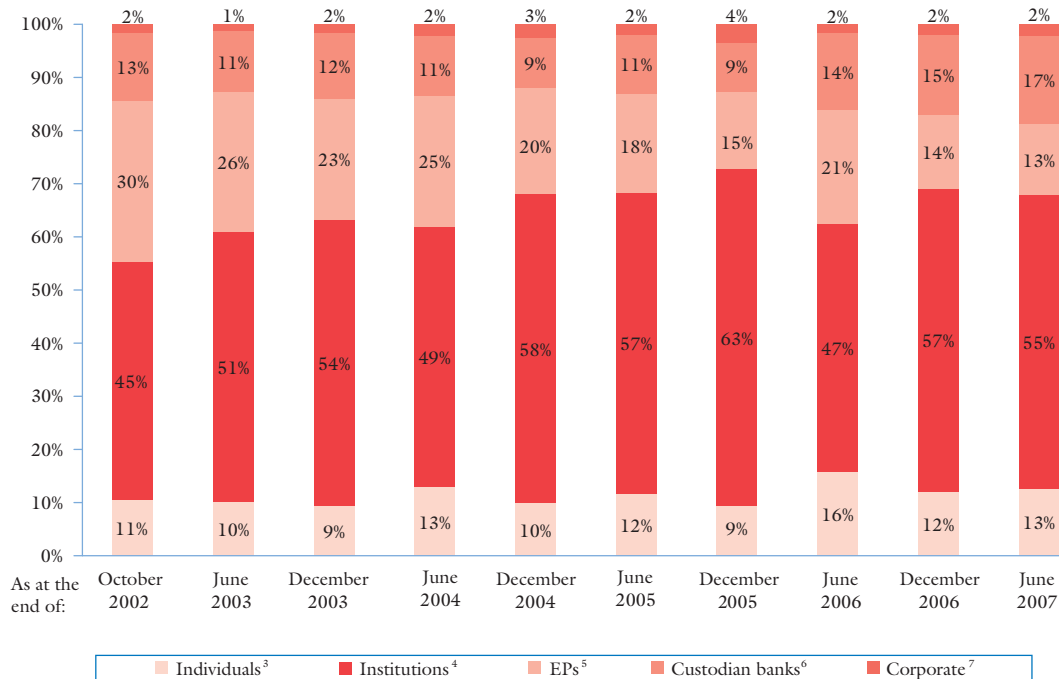
SHAREHOLDING ANALYSIS

Shareholdings according to HKEx's ROM as at 30 June 2007 and 30 June 2006:

Size of shareholding	Number of shareholders		Percentage of shareholders (%)		Number of shares ('000)		Percentage of total issued capital (%)	
	2007	2006	2007	2006	2007	2006	2007	2006
1 - 1,000	263	22	14.77	1.57	194	6	0.02	0.00
1,001 - 5,000	755	656	42.39	46.76	2,052	1,763	0.19	0.17
5,001 - 10,000	299	303	16.79	21.60	2,541	2,580	0.24	0.24
10,001 - 100,000	314	271	17.63	19.31	10,470	9,270	0.98	0.87
100,001 and above	150	151	8.42	10.76	1,053,702	1,051,234	98.57	98.72
Total	1,781	1,403	100.00	100.00	1,068,959	1,064,853	100.00	100.00

Further analysis of share ownership¹ as at 30 June 2007 and 30 June 2006:

Category	2007		2006	
	Number of shares ('000)	Percentage of total issued capital (%)	Number of shares ² ('000)	Percentage of total issued capital ² (%)
Individuals³	135,000	12.63	168,842	15.86
Local	129,978	12.16	164,096	15.41
Overseas	5,022	0.47	4,746	0.45
Institutions⁴	590,503	55.24	495,942	46.57
Local	69,280	6.48	44,541	4.18
Overseas	521,223	48.76	451,401	42.39
EPs⁵	142,915	13.37	228,934	21.50
Custodian banks⁶	176,875	16.55	152,956	14.36
Corporate⁷	23,666	2.21	18,179	1.71
Total	1,068,959	100.00	1,064,853	100.00

Further analysis of share ownership¹ (October 2002 – June 2007):

Figures in the above chart may not add up to 100 per cent due to rounding.

Notes:

1. The identification of shareholders by type was done by examination of HKEx's ROM, the CCASS Participants Shareholding Report ("PSH Report") and the responses of custodian banks and EPs to enquiries conducted in the respective periods. For June 2007, responses were received from five custodian banks and seven EPs which are among the top 13 holders of HKEx shares in HKSCC Nominees Limited; they held in aggregate 678 million shares or 63 per cent of the total issued shares at the end of June 2007. For June 2006, responses were received from four custodian banks and five EPs which are among the top ten holders of HKEx shares in HKSCC Nominees Limited; they held in aggregate 619 million shares or 58 per cent of the total issued shares at the end of June 2006.
2. The figures as at the end of June 2006 reported in the 2006 Interim Report were revised due to minor modifications in the shareholder classification. The revised percentages differ from the former ones by no more than one percentage point.
3. Shares registered in names of individuals with residential addresses in HKEx's ROM and the PSH Report, as well as shares held by individual investors as identified by the respondent custodian banks/EPs.
4. Shares held by corporations having asset management or investment business, as identified by the respondent custodian banks/EPs, as well as shares held by investment companies in HKEx's ROM and the PSH Report as apparent from their company names.
5. Shares held by the respondent EPs (excluding shares held on behalf of their clients) and shares held by other Stock, Futures and Stock Option EPs (including shares held on behalf of their clients).
6. Shares held by custodian banks (excluding shares held by HKSCC Nominees Limited and the respondent custodian banks on behalf of their clients), as apparent from their company names in HKEx's ROM and the PSH Report.
7. Shares registered in company names in HKEx's ROM and the PSH Report where the companies have no asset management or investment business as apparent from their company names, as well as shares held by corporate investors as identified by the respondent custodian banks/EPs.

Shareholders with Top Ten Holdings

The top ten holdings as appeared on HKEx's ROM as at 30 June 2007 and 30 June 2006 were held by the respective shareholders as follows:

2007			2006			
Name	Number of shares ('000)	Percentage of total issued capital (%)	Name	Number of shares ('000)	Percentage of total issued capital (%)	
1	HKSCC Nominees Limited	947,668	88.65	HKSCC Nominees Limited	938,025	88.09
	Category A Participants	50,168	4.69	Category A Participants	92,618	8.70
	Category B Participants	57,341	5.37	Category B Participants	82,045	7.70
	Category C Participants	49,592	4.64	Category C Participants	79,844	7.50
	Custodians	784,116	73.35	Custodians	674,938	63.38
	IPs	7,502	0.70	IPs	8,563	0.80
		948,719*	88.75		938,008*	88.08
2	HSBC Nominees (Hong Kong) Limited	5,634	0.53	Sun Hung Kai Investment Services Ltd	8,050	0.76
3	Sun Hung Kai (Nominees) Ltd	4,025	0.38	HSBC Nominees (Hong Kong) Limited	5,059	0.48
4	Tung Tak Securities (HK) Co Ltd	3,220	0.30	Tung Tak Securities (HK) Co Ltd	3,220	0.30
5	Wocom Limited	2,788	0.26	Phillip Commodities (HK) Ltd	2,787	0.26
6	Phillip Commodities (HK) Ltd	2,787	0.26	Wocom Limited	2,787	0.26
7	Phillip Securities (HK) Ltd	2,415	0.23	Cheung Ching Kwong	2,778	0.26
=7	Wong Wai Gin	2,415	0.23	Phillip Securities (HK) Ltd	2,415	0.23
9	Chow Man Yiu Paul	1,640	0.15	Wong Wai Gin	2,415	0.23
10	Corporate Brokers Ltd	1,610	0.15	Corporate Brokers Ltd	1,610	0.15
=10	DL Brokerage Ltd	1,610	0.15	DL Brokerage Ltd	1,610	0.15
=10	Full Speed Securities Co Ltd	1,610	0.15	Full Speed Securities Co Ltd	1,610	0.15
=10	Grand Fortune Securities & Investment Co Ltd	1,610	0.15	Grand Fortune Securities & Investment Co Ltd	1,610	0.15
=10	Yu On Securities Co Ltd	1,610	0.15	Wing Sang Securities Co Ltd	1,610	0.15
				Yu On Securities Co Ltd	1,610	0.15

* The breakdown of the shareholding in the name of HKSCC Nominees Limited was obtained from the record shown in the PSH Report. The number of shares registered in HKSCC Nominees Limited as shown in the PSH Report is different from that shown on HKEx's ROM because some shares withdrawn from or deposited into the CCASS depository had not yet been re-registered.

For June 2007, the shares were held for 13 Category A Participants (top 14 brokers by market turnover) (2006: 13), 43 Category B Participants (brokers ranked 15-65 by market turnover) (2006: 42), 310 Category C Participants (all remaining brokers) (2006: 326), 29 Custodians (2006: 29), and 319 IPs (2006: 361).

BUSINESS REVIEW

Listing

Enhanced Transparency in Listing Enforcement Settlement Policy

On 22 June 2007, the Exchange published a statement outlining the Exchange's approach towards, and criteria for, settlement of disciplinary matters involving breaches of Listing Rules, and settlement procedures. The statement illustrates the Exchange's continuing efforts to improve the transparency, efficiency and effectiveness of its enforcement actions.

EDP

The EDP, which allows straight-through publication of issuer documents on the HKEx websites, commenced on 25 June 2007. Under the EDP, a Main Board issuer is required to publish a notification in local newspapers whenever it publishes an announcement on the HKEx website and its own website during the six-month transitional period that runs until 24 December 2007. Notifications will no longer be required from 25 December 2007. From now until 24 June 2008, Main Board issuers without their own websites are required to publish full paid announcements in local newspapers when their announcements are published on the HKEx website. From 25 June 2008 onwards, every issuer must have its own website where the public is able to access its Listing Rules-related documents free of charge.

The EDP has run smoothly and no system or slow performance issues relating to the submission and publication of the documents have been noted. HKEx will continue providing support to issuers on the use of the electronic submission system and guidance on compliance with the relevant Listing Rules. Issuers can make use of our support hotline or the comprehensive EDP information posted on the HKEx website for assistance and reference.

GEM Review

Taking account of the feedback to the GEM Discussion Paper and of the conditions in the Hong Kong market, the Exchange has decided to issue a Consultation Paper with specific proposals to reposition GEM as a Second Board. The Consultation Paper was published on 27 July 2007 inviting comments thereon until the end of October 2007.

Cash Market

Market Performance

There were 32 newly listed companies on the Main Board (none on GEM) in the first half of 2007 with total capital raised, including post-listing funds, reaching \$193.7 billion. As at 30 June 2007, 1,002 and 194 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about \$15,854.7 billion. In addition, there were 2,681 derivative warrants, 16 ETFs, seven REITs, 37 CBBs and 175 debt securities listed as at the end of June 2007. The average daily turnover in the first half of 2007 was about \$58.6 billion on the Main Board and about \$591.4 million on GEM.

Number of Listed Companies by Classification

	As at	As at	As at	% Change	
	30 Jun 2007	31 Mar 2007	30 Jun 2006	Mar 2007	Jun 2006
Main Board					
Finance	83	81	79	2	5
Utilities	19	18	18	6	6
Properties	107	106	100	1	7
Consolidated Enterprises	316	309	304	2	4
Industrials	454	446	428	2	6
Hotels	15	15	12	0	25
Miscellaneous	8	8	7	0	14
Sub-total	1,002	983	948	2	6
GEM	194	197	200	(2)	(3)
Total	1,196	1,180	1,148	1	4

Market Value of Listed Companies by Classification

	As at	As at	As at	% Change	
	30 Jun 2007 (\$mil)	31 Mar 2007 (\$mil)	30 Jun 2006 (\$mil)	Mar 2007	Jun 2006
Main Board					
Finance	5,491,713	4,898,258	3,799,703	12	45
Utilities	600,725	567,747	475,886	6	26
Properties	1,813,338	1,514,190	1,036,494	20	75
Consolidated Enterprises	4,516,568	3,837,644	2,638,851	18	71
Industrials	3,080,313	2,448,814	1,699,368	26	81
Hotels	113,899	109,161	75,260	4	51
Miscellaneous	87,939	66,372	32,811	32	168
Sub-total	15,704,494	13,442,186	9,758,372	17	61
GEM	150,190	108,728	82,031	38	83
Total	15,854,684	13,550,914	9,840,403	17	61

Number of Listed Securities – Main Board & GEM

	As at	As at	As at	% Change	
	30 Jun 2007	31 Mar 2007	30 Jun 2006	Mar 2007	Jun 2006
Ordinary Shares	1,197	1,181	1,149	1	4
Preference Shares	3	3	2	0	50
Warrants	2,711	2,425	1,510	12	80
– Equity Warrants	30	29	29	3	3
– Derivative Warrants	2,681	2,396	1,481	12	81
CBBCs*	37	41	11	(10)	236
Equity Linked Instruments	0	0	0	N/A	N/A
Unit Trusts	24	16	14	50	71
– ETFs	16	9	8	78	100
– REITs	7	6	4	17	75
– Others	1	1	2	0	(50)
Debt Securities	175	178	174	(2)	1
Total	4,147	3,844	2,860	8	45

* Commenced trading on 12 June 2006

Market Value by Type of Securities – Main Board & GEM

	As at	As at	As at	% Change	
	30 Jun 2007 (\$mil)	31 Mar 2007 (\$mil)	30 Jun 2006 (\$mil)	Mar 2007	Jun 2006
Equities	15,854,684	13,550,914	9,840,403	17	61
Warrants	334,781	256,905	160,822	30	108
– Equity Warrants	4,301	3,749	1,862	15	131
– Derivative Warrants	330,480	253,157	158,960	31	108
CBBCs*	2,477	2,511	928	(1)	167
Equity Linked Instruments	0	0	0	N/A	N/A
Unit Trusts	150,407	144,477	112,156	4	34
– ETFs	81,938	74,976	63,150	9	30
– REITs	68,469	69,501	48,987	(1)	40
– Others	0	0	19	N/A	(100)
Debt Securities	420,526 ^Δ	433,126 ^Δ	423,962 ^Δ	(3)	(1)
Total	16,762,873	14,387,933	10,538,272	17	59

* Commenced trading on 12 June 2006

^Δ Nominal value

Turnover Value by Type of Securities – Main Board & GEM

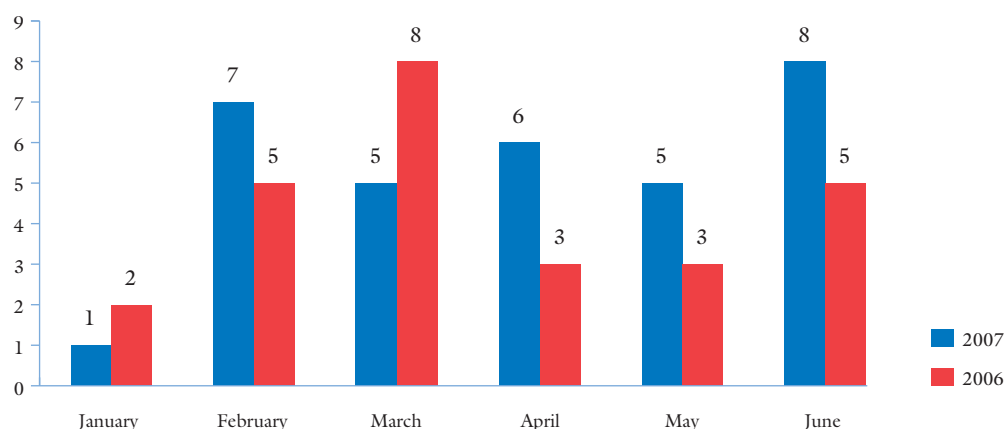
	Six months	Three months	Six months	% Change	
	ended 30 Jun 2007 (\$mil)	ended 31 Mar 2007 (\$mil)	ended 30 Jun 2006 (\$mil)	Mar 2007	Jun 2006
Equities	5,706,519	2,557,017	3,131,806	123	82
Warrants	1,361,859	672,498	752,761	103	81
– Equity Warrants	1,905	616	897	209	112
– Derivative Warrants	1,359,954	671,883	751,864	102	81
CBBCs*	10,268	4,887	204	110	4,933
Equity Linked Instruments	0	0	0	N/A	N/A
Unit Trusts	90,496	44,401	59,284	104	53
– ETFs [#]	66,467	31,097	29,725	114	124
– REITs	24,029	13,304	29,558	81	(19)
– Others	0	0	1	N/A	(100)
Debt Securities	4	4	2	0	100
Total	7,169,147	3,278,806	3,944,056	119	82

* Commenced trading on 12 June 2006

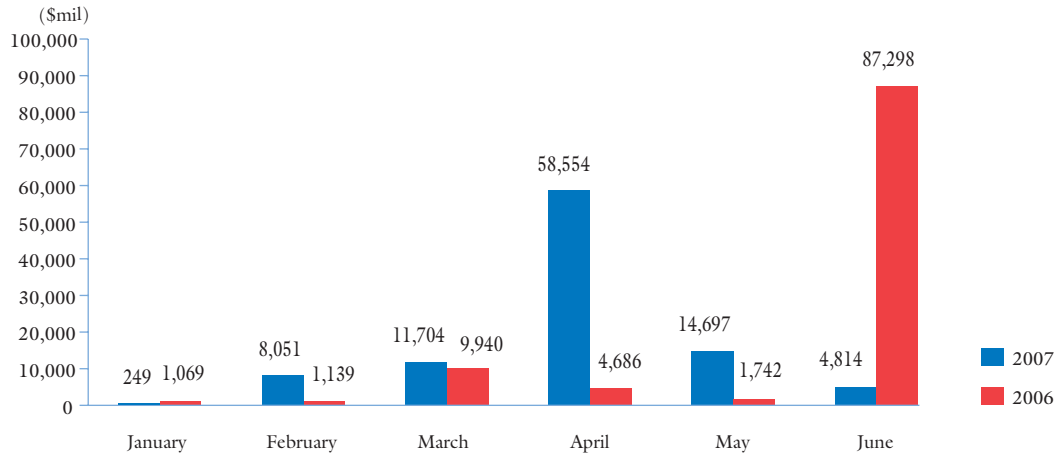
[#] Including two iShares for trading only

Figures in the above tables may not add up to the sub-total or the total due to rounding.

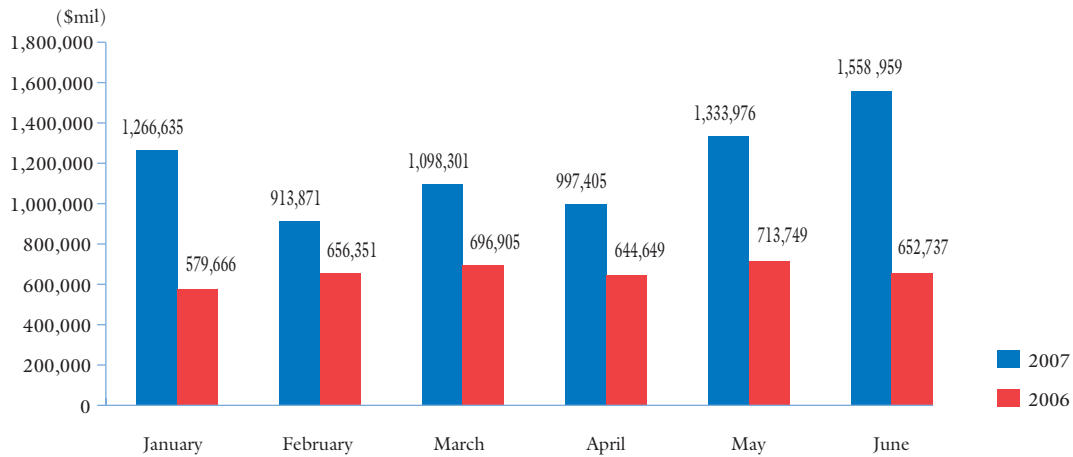
Number of Newly Listed Companies – Main Board & GEM



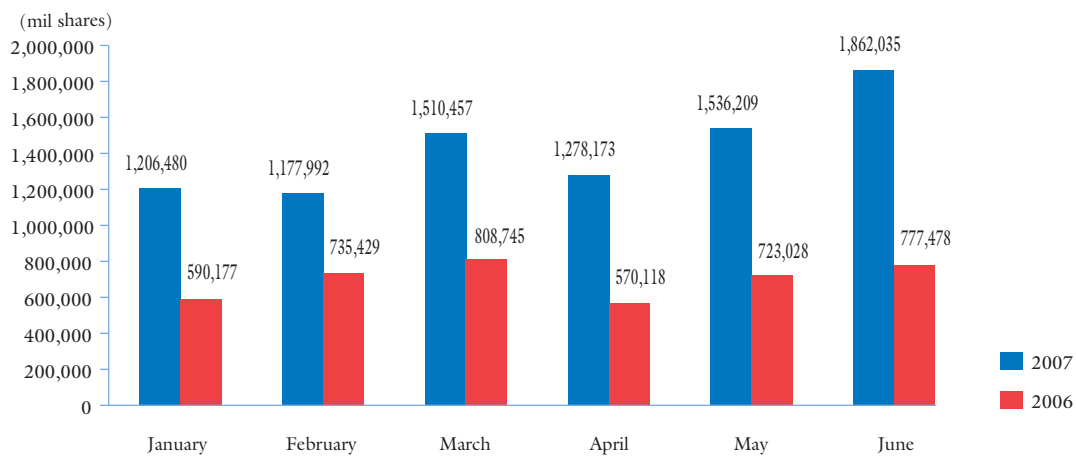
IPO Funds Raised by Newly Listed Companies – Main Board & GEM



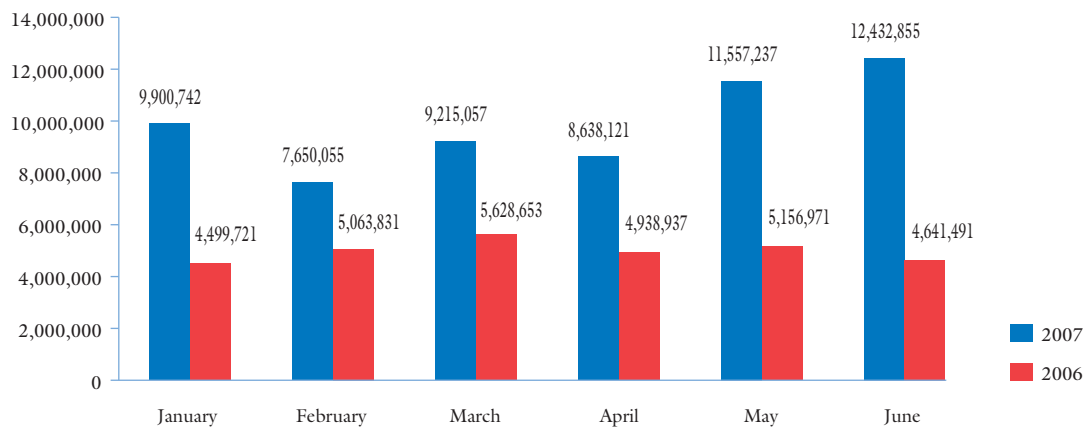
Monthly Turnover (Value) – Main Board & GEM



Monthly Turnover (Volume) – Main Board & GEM

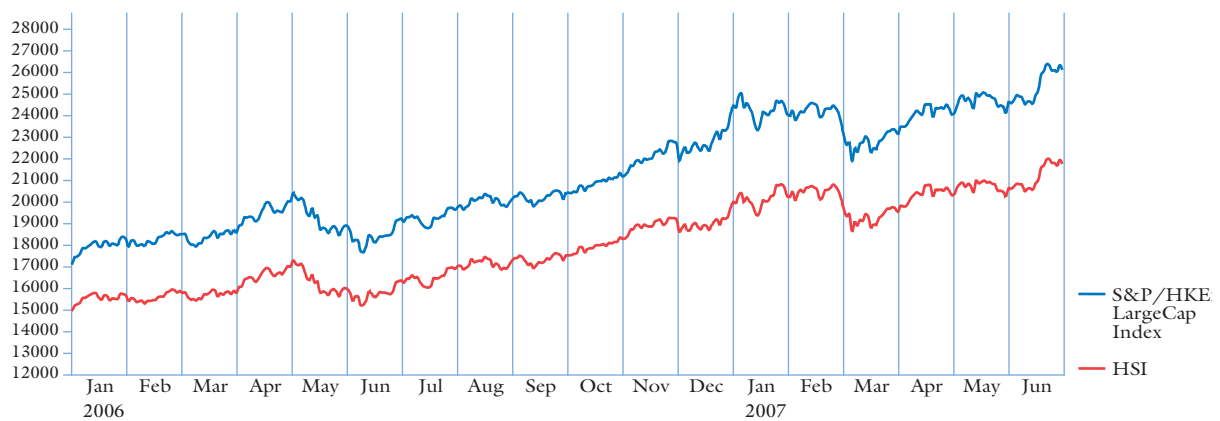


Monthly Number of Transactions – Main Board & GEM



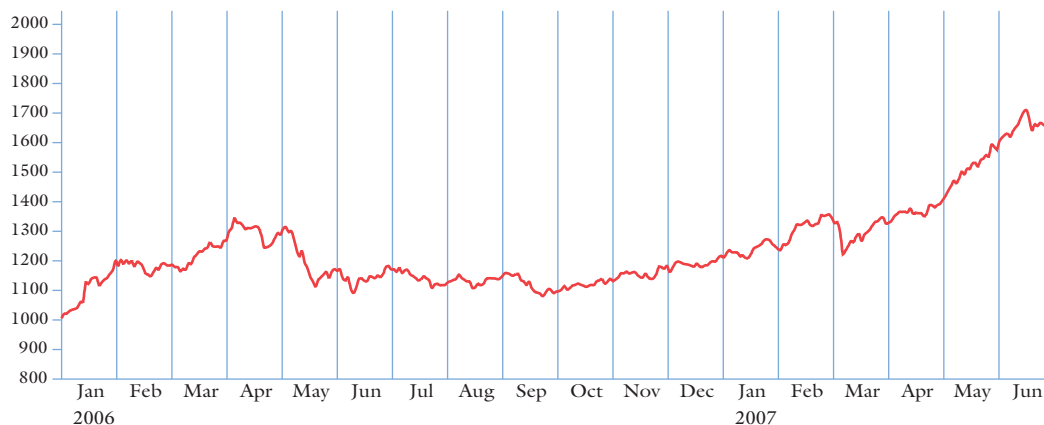
HSI and S&P/HKEx LargeCap Index

January 2006 – June 2007



S&P/HKEx GEM Index

January 2006 – June 2007



Number of Trading Right Holders

As at the end of June 2007

	Stock Exchange	Futures Exchange
EPs	470	137
– Trading	428	137
– Non-trading	42	0
Non-EPs	45	57
– Corporate	2	49
– Individual	43	8
Total	515	194

Introduction of Closing Auction Session

HKEx published a consultation paper entitled “The Introduction of a Closing Auction Session” on 21 March 2007. A total of 23 responses were received at the end of the consultation period on 7 May 2007 with the majority in support of the proposal. The respondents generally recognised that the closing auction is an internationally proven mechanism which provides a fair and market-driven method of closing a trading session, as well as determining closing prices.

A consultation conclusions report was published on 19 July 2007 proposing to introduce the closing auction session effective the first quarter of 2008 in order to allow sufficient time for market participants to make the corresponding system changes. A series of education programmes will be conducted to ensure market readiness.

Proposal on Suspension of Tick Rule for Short Selling

Pursuant to the recommendations in the Government’s Report on Economic Summit on “China’s 11th Five-Year Plan and the Development of Hong Kong” published in January 2007, HKEx is working closely with the SFC to finalise a proposal on the suspension of the tick rule for short selling in normal business situations. The proposal is targeted to be implemented in the fourth quarter of 2007. It is expected that the proposed suspension of the tick rule, when implemented, would further enhance the efficiency of the price discovery process on the Exchange.

CBBC Listing Fee Reduction

HKEx announced on 11 June 2007 that the listing fee for CBBCs would be reduced by 70 per cent upon approval of the relevant amendments to the Main Board Listing Rules. When the CBBC market was launched in June 2006, the listing fee for CBBCs was set at \$60,000 for the first issue and \$40,000 for subsequent issues, but with a rebate of 70 per cent as an incentive to issuers. After reviewing the listing fees for similar products overseas, the temporary incentive measure has been replaced by a fee reduction of the same magnitude, which illustrates HKEx’s commitment to developing the CBBC market.

Launch of Additional ETFs

Eight additional ETFs were launched on the Exchange during the period between April and July 2007. Seven of them track the performance of shares listed in single overseas markets, the Asia-Pacific region or the global market. One offers exposure to a commodities index covering the prices of copper, crude oil, gold, soybeans, sugar and other commodities, which is the first of its kind listed in Hong Kong.

Derivatives Market

Market Performance

In the first half of 2007, record high daily volume and open interest were achieved for various products, which are highlighted as follows:

Products	Record High Daily Volume		Record High Open Interest	
	Date	Number of Contracts	Date	Number of Contracts
HSI Futures	–	–	27 Jun	198,789
HSI Options	30 May	63,791	27 Jun	445,202
Mini-HSI Futures	26 Jan	20,425	–	–
Mini-HSI Options	9 Feb	2,403	27 Mar	4,513
H-shares Index Futures	27 Jun	126,686	27 Jun	138,875
H-shares Index Options	6 Mar	33,126	27 Jun	202,970
Stock Futures	28 Mar	27,966	14 Mar	25,956
Stock Options	29 Mar	414,243	27 Jun	4,760,521
Hang Seng China H-Financials Index Futures*	20 Apr	503	26 Apr	385

* Launched on 16 April 2007

Average Daily Volume of Major Derivatives Products

Contracts	Six months ended	Three months ended	Six months ended	% Change	
	30 Jun 2007	31 Mar 2007	30 Jun 2006	Mar 2007	Jun 2006
HSI Futures	61,728	61,184	50,489	1	22
HSI Options	31,118	30,495	15,679	2	98
Mini-HSI Futures	11,813	12,305	7,940	(4)	49
Mini-HSI Options	345	505	176	(32)	96
H-shares Index Futures	32,875	31,059	20,004	6	64
H-shares Index Options	6,108	6,009	2,805	2	118
Stock Futures	1,656	2,448	229	(32)	623
Stock Options	131,040	124,662	63,411	5	107
3-Month HIBOR Futures	153	169	72	(9)	113

Open Interest of Major Derivatives Products

Contracts	As at	As at	As at	% Change	
	30 Jun 2007	31 Mar 2007	30 Jun 2006	Mar 2007	Jun 2006
HSI Futures	129,596	111,472	109,952	16	18
HSI Options	259,961	240,259	213,432	8	22
Mini-HSI Futures	4,487	4,861	3,174	(8)	41
Mini-HSI Options	1,085	742	1,024	46	6
H-shares Index Futures	84,591	74,829	50,145	13	69
H-shares Index Options	124,727	99,224	68,200	26	83
Stock Futures	5,377	20,782	2,559	(74)	110
Stock Options	3,571,810	2,569,935	1,226,767	39	191
3-Month HIBOR Futures	9,547	9,035	1,476	6	547

Extension of Pre-market Opening Arrangement

The pre-market opening arrangement has proved to be useful in establishing an orderly market open and enhancing market efficiency since its implementation in 2000 for both the HSI Futures and Mini-HSI Futures. On 8 January 2007, the arrangement was extended to the H-shares Index Futures market, with an average of over 800 contracts per day recorded in June 2007.

New Market Maker Regime and Improvements to Market Making Services

To simplify and improve the quality of market making services, a new market maker regime for HKFE products was introduced on 1 February 2007, under which, only EPs are allowed to be registered as market makers. The exchange fee incentive scheme for market makers of stock index futures or options trading in other stock index products was also refined to enhance its effectiveness.

In response to the reduction of the minimum trading spreads in the Cash Market in July 2005 and July 2006, the market making obligations in terms of maximum bid/offer spread and minimum quote size requirements in stock options and stock futures were revised on 2 April 2007, with the aim of balancing market risks faced by market makers.

Improvements to the market making services for stock futures were made at the same time, including shortening the response time to quote requests from 1 minute to 10 seconds, and increasing the quote display time from 5 to 20 seconds and the quote size for providing continuous quotes from 5 to 10 contracts.

Development of Stock Futures and Options

On 19 March 2007, HKEx expanded the range of China-related products and started offering trading of futures and options on three more stocks, leading to a total of 45 classes in the stock options market. To allow opportunities for investors to hedge and trade in Mainland China banking and insurance stocks, HKEx launched the Hang Seng China H-Financials Index Futures on 16 April 2007. In addition, a third calendar quarter expiry month was introduced in 10 stock option classes (five each in April and July 2007) to meet the market demand for a longer term maturity horizon.

Implementation of New Delta-based Position Limit

In view of market need, a new delta-based position limit for H-shares Index Futures and Options was implemented to adjust the limits of 6,000 open futures contracts in any one contract month or 6,000 open option contracts in any one option series to 12,000 delta for all contract months combined effective 30 March 2007.

Study of Commodities Derivatives and Emissions-related Products

In July 2007, HKEx appointed two consultants to respectively study the feasibility of trading commodities derivatives on energy (including oil, power and gas), base metals and agricultural products, and emissions-related products in Hong Kong. Both consultants are expected to complete their studies in about four months.

Education and Marketing

The Options Reference Educator (“ORE”), an interactive education tool for options on the HKEx website, was revised and launched on 9 January 2007 to allow easier navigation by users. The ORE facilitates understanding of options concepts and trading applications by retail investors and market practitioners. A refined Simplified Chinese version is now available for Mainland investors.

To educate local retail investors and promote our products, HKEx organised the Investment Expo 2007 with 10 EPs in February 2007. HKEx also participated in the FIA/FOW Derivatives World London Conference as an exhibitor with the theme of “Access to China Equity Derivatives” to introduce the Hong Kong Derivatives Market to overseas investors.

HKEx continued its effort to attract Mainland brokers to become EPs. A seminar on “Opportunities in Hong Kong Securities and Derivatives Market” was held in Shanghai on 29 May 2007 with the participation of more than 30 securities and futures brokerage houses. Information in relation to the market infrastructure and Exchange Participantship at HKEx was disseminated to interested parties.

Clearing

Improvements to CCASS Nominee Services

As of 2 January 2007, Broker and Custodian Participants have been provided with an additional option to have certain CCASS payments effected intra-day through the Real Time Gross Settlement payment mechanism. These CCASS payments include the return of overpaid cash prepayments in respect of securities being settled on a CNS basis and corporate action-related payments.

Enhancements to SSA with Statement Service

HKSCC introduced new features to its SSA with Statement Service on 2 January 2007. After streamlining the account opening procedures, CCASS Broker and Custodian Participants are provided with online functions to open SSAs and maintain detailed profiles. SSA users can choose to receive physical statements in either English or Chinese. They can also enquire about their stock balances and movements in the accounts electronically through the CCASS Internet System and CCASS Phone System. SSA users can also opt to receive alerts via the short message service (“SMS”) and/or by email when there is any movement in the SSA.

Further enhancements to the SSA with Statement Service were launched on 9 July 2007. In addition to receiving corporate communications including annual reports and notices of corporate activities directly from share registrars, SSA users can now give voting instructions to CCASS Broker and Custodian Participants electronically. They can select to affirm transfer instructions before any movements of stock out of the SSAs, and to settle stock transfers “Free of Payment” or “Delivery Against Payment”. The limit on the number of SSAs that can be opened by each CCASS participant has also been removed.

Daily Settlement Price Determination Methodologies Alignment

To enhance the quality of the daily settlement price (“DSP”), HKCC and SEOCH aligned their methodologies for determining the DSP on 7 May 2007. The aligned methodologies require the use of available market prices in lieu of theoretical prices when determining the DSP. Theoretical prices would only be used for reference when no market price is available. The clearing houses would conduct reasonableness checks on the DSP and make adjustments where appropriate.

IP Account Service Fees Waiver

The waiver of the SMS fee and the dormant account fee for CCASS IP account services has been extended upon its expiry on 30 June 2007 until further notice.

Extension of DCASS Cutoff Time

Following the use of more advanced backup technology to support the DCASS day-end batch processing, the cutoff time for the input of post-trade transactions by the HKCC and SEOCH Participants was extended by 30 minutes from 6:15 pm to 6:45 pm effective 9 July 2007.

Third Party Clearing (“TPC”)

HKSCC plans to introduce TPC to the securities market to help ensure that the securities clearing infrastructure in Hong Kong conforms to international standards and is in line with developments in other major financial markets. The proposed TPC model has been presented to interested clearing service providers and CCASS participants, and is being finalised for implementation by the end of 2007.

Risk Management Measures

The three clearing houses have harmonised their stress testing methodologies, which are applied to assess the adequacy of financial resources for risk management, to follow the standards set by the International Organisation of Securities Commissions.

In order to reduce exposure to settlement banks (“SB”) default risk, and to harmonise with HKSCC’s practice, HKCC and SEOCH announced the tightening of financial criteria for accepting SB effective 18 June 2007 whereby SB must have a minimum credit rating of A3 by Moody’s or its equivalent, or be a HKD note-issuing bank. In addition, HKCC and SEOCH adopted a two-tier banking structure under which participants may have their designated banks accepted by the clearing houses for money settlement operations.

The long-established arrangement for HKCC Participants to use Client Offset Claim Accounts for eligible pairs of client positions to be allocated and margined on a net basis was extended to SEOCH Participants effective 3 July 2007.

Default of Participants

In respect of the failure of Tai Wah Securities Limited (in liquidation) to meet its obligations to HKSCC, recovery from the HKSCC Guarantee Fund will be made if the outstanding balance of about \$1.8 million cannot be fully settled upon completion of the liquidation process.

Regarding the failure of Yicko Futures Limited (in liquidation) to meet its obligations to HKCC, recovery from the HKCC Reserve Fund will be made if the outstanding debt of about \$7.8 million cannot be fully settled upon completion of the liquidation process.

Number of CCASS Participants

As at the end of June 2007

	HKSCC
Broker Participants	436
Clearing Agency Participant	1
Custodian Participants	37
IPs	17,638
Stock Pledgee Participants	6
Total	18,118

CCASS Statistics

Up to six-month ended 30 June

	2007	2006
Average Daily Exchange Trades Handled by CCASS		
– Number of Trades	490,854	247,347
– Value of Trades	\$59.2 billion	\$32.6 billion
– Share Quantity Involved	70.8 billion	34.8 billion
Average Daily SIs Handled by CCASS		
– Number of SIs	54,951	35,685
– Value of SIs	\$141.7 billion	\$82.4 billion
– Share Quantity Involved	33.8 billion	20.4 billion
Average Daily ISIs Handled by CCASS		
– Number of ISIs	845	536
– Value of ISIs	\$225.7 million	\$174.6 million
– Share Quantity Involved	137.0 million	66.8 million
Average Daily Settlement Efficiency of CNS Stock Positions on Due Day (T+2)	99.74%	99.71%
Average Daily Settlement Efficiency of CNS Stock Positions on the Day following the Due Day (T+3)	99.97%	99.97%
Average Daily Buy-ins Executed on T+3		
– Number of Brokers Involved	18	13
– Number of Buy-ins	21	14
– Value of Buy-ins	\$8.0 million	\$7.7 million
Shares Deposited in the CCASS Depository		
– Number of Shares	2,078.8 billion	1,430.5 billion
– Percentage of the Total Issued Share Capital of the Admitted Securities	65.62%	57.36%
– Values of Shares	\$7,102.0 billion	\$3,799.0 billion
– Percentage of the Total Market Capitalisation of the Admitted Securities	42.40%	36.09%

Business Development

Promotional Activities in Hong Kong

In May 2007, HKEx held a seminar with the local universities, namely City University of Hong Kong, Hong Kong Baptist University, The Chinese University of Hong Kong, The Hong Kong Polytechnic University, The Hong Kong University of Science and Technology and The University of Hong Kong, and Hong Kong Science and Technology Parks Corporation to promote listing to their affiliated companies.

Promotional Activities in the Mainland

In the first half of 2007, HKEx made over 30 visits to various provinces and cities other than Beijing and Shanghai in the Mainland to promote Hong Kong as the international capital formation centre for Mainland companies.

In April 2007, HKEx organised a listing seminar in Guangzhou together with the Economic and Trade Commission of the Guangdong Province, the State-owned Assets Supervision and Administration Commission of Guangdong Provincial People's Government, and the Financial Service Office of the Guangdong Province. The seminar was well-received by more than 300 participants, including Central Government officials and prospective issuers from Guangzhou and nearby regions. At the seminar, promotional booths were set up by Hong Kong intermediary firms to provide free advice on listing matters to prospective issuers.

Other Promotional Activities

During the first half of 2007, HKEx made a total of 15 visits to Malaysia, South Korea, Taiwan, Thailand, the Republic of Kazakhstan, the Russian Federation and Vietnam, and spoke at 17 conferences and seminars to over 2,000 attendees including government officials, intermediary firms and prospective issuers to promote listing in Hong Kong.

On 28 March 2007, HKEx signed an MOU on cooperation and the exchange of information with the Abu Dhabi Securities Market to foster a closer relationship between the two markets. On 3 July 2007, HKEx also entered into an MOU with Moscow Interbank Currency Exchange ("MICEX"). The MOU marked a new stage of development for HKEx in collaborating with a major stock exchange in Russia and Eastern Europe. The MOU is aimed at establishing a closer relationship with MICEX in information sharing and enhancing the development of exchanges in the two regions by promoting dual listings and the bilateral flow of investment funds.

In May 2007, HKEx together with a delegation of over 60 members from Hong Kong comprising investment bankers, legal advisers, accountants, property valuers and venture capital funds managers, participated in the first Hong Kong-Kazakhstan conference held in Almaty, the Republic of Kazakhstan. The conference was jointly organised by HKEx, the Agency of the Republic of Kazakhstan on Regulation of Activities of the Regional Financial Centre of Almaty City, and the Consulate General of the Republic of Kazakhstan (HKSAR/Macao SAR). The then Secretary for Financial Services and the Treasury, Mr Frederick Ma, also joined the delegation and delivered a keynote speech on the Hong Kong financial services industry. More than 200 representatives from companies in the Republic of Kazakhstan and the Commonwealth of Independent States region participated in the event.

To familiarise overseas prospective issuers with listing in Hong Kong, HKEx published its "Listing in Hong Kong" booklet in four additional languages (Korean, Japanese, Vietnamese and Russian) for distribution to interested parties. It also delivered presentations on listing in Hong Kong to the members of a Korean organisation and the Japanese clients of an international accounting firm in April and June 2007 respectively.

Information Services

Enhancement of Information Systems

HKEx has enhanced its IIS, the information feed to provide issuer disclosures, and MDF, the information feed for securities market data, particularly for the rollout of EDP. The IIS is now equipped with high capacity and a resilient disaster recovery site, and is capable of delivering disclosures with multiple headlines. The MDF provides news alerts to information vendors whenever any issuer disclosures are published on the HKEx website. Moreover, a lower standard fee of \$45,000 per quarter on IIS information vendors was introduced on 1 June 2007. As at the end of June 2007, there were four IIS licensed information vendors.

Editorial Package for Real-time Information Vendors

HKEx introduced a new editorial package on 1 July 2007 for all real-time information vendors that have in-house news and editorial teams to provide news, analysis or commentary services to complement their real-time HKEx market data services. Under the terms of the package, the data fee for the first five units of real-time market data devices and additional units used by the editorial team will be respectively waived and provided at discounted prices. The new package is aimed to encourage more coverage on the Cash and Derivatives Markets.

Retirement of Realtime Digital Data Service System (“RDDS”)

HKEx has decided to retire the aging RDDS by the end of 2007. The RDDS, first introduced in 1986, is an information feed providing real-time securities price updates on a snapshot basis. Existing RDDS vendors may migrate to MDF. The retirement of RDDS will allow HKEx to focus resources on its premium datafeed service.

Improvements to Issuer News Alert Service

HKEx improved the Investment Service Centre News Alert Service, which is free of charge, by doubling the number of securities that can be selected for each account to 20 and increasing the frequency of alerts. Alerts on listed company information are now sent every 30 minutes from 9:00 am to 12 midnight on each trading day, whereas alerts on disclosure of interests notices are sent at 5:30 pm on trading days. Since the service enhancements in early April 2007, there has been a steady increase in the number of subscribers. As at the end of June 2007, there were more than 29,000 subscribers, an increase of 29 per cent.

Information Technology

Production Systems Stability and Reliability

Up to the end of June 2007, all major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets operated by HKEx achieved 100 per cent operational system uptime and operated smoothly.

System Capacity Planning and Upgrade

HKEx has proactively monitored the capacity and performance of all its market systems to ensure that they are able to support the market at all times.

HKEx enhanced AMS/3 following the successful completion of the market rehearsal on 27 January 2007 which was conducted to validate that AMS/3 is capable of handling at least 1.5 million daily trades and to enable our EPs and information vendors to review and verify the capacity and performance of their systems and trading facilities. The enhancements comprised (i) increasing the maximum number of outstanding orders per price queue from 10,000 in the pre-opening session and 8,000 in the trading sessions to 20,000 in all sessions; (ii) removing the restriction on outstanding orders per broker ID; and (iii) further increasing the AMS/3 market data broadcast rate to cater for the continuing growth in trading activity.

On 5 July 2007, the Board approved upgrading the AMS/3 capacity and technology. The AMS/3 will be migrated to the Itanium platform that offers a higher capacity of 850 orders per second and a daily volume of 2.8 million trades against the current capacity of 500 orders per second and a daily volume of 1.5 million trades. The migration will take around six months to complete. The AMS/3 capacity could be further increased by implementing AMS/3 design enhancements leverage on the Itanium technology in the second half of 2008.

The CCASS/3 mainframe for the Cash Market clearing and settlement, and the HKATS and DCASS hardware for the Derivatives Market were upgraded in May and July 2007 respectively to support increasing market activities and new business initiatives.

Technology Development and Upgrade

All the AMS/3 Open Gateway and Multi-workstation System installed at EPs' premises were upgraded in April 2007 to address technology obsolescence as well as to prepare for further AMS/3 system capacity expansion. The CCASS/3 Middle-tier system software was replaced and upgraded in March 2007 to provide additional capacity as well as open platform flexibility for future hardware upgrade.

The advance of HKATS and DCASS to application software release 19.1 is in progress and is scheduled to be completed in early 2008. The upgrade offers functional and technical enhancements which should facilitate the future development of the Derivatives Market.

The upgrade of the Securities Market Automated Research, Training & Surveillance System (SMARTS) has commenced, bringing new features and functionalities to market surveillance.

HKEx is working on the establishment of a designated issuer website for issuer-related information and disclosures. As part of the initiative, HKEx is also exploring the implementation of a separate Internet network infrastructure to offer robust Internet services to the investing public.

System Consolidation and Operational Efficiency

The implementation of SDNet, a new Optical Ethernet network for the Cash and Derivatives Markets, was completed after the successful migration of all AMS/3 circuits to the SDNet on 16 July 2007. The SDNet provides broader bandwidth, improved reliability, greater operational efficiency and network cost reduction to both HKEx and Participants.

The Cash and Derivatives participant information system was successfully redeveloped on an integrated management information system in June 2007 to facilitate effective retrieval, consolidation and analysis of the relevant data.

The redevelopment of the Derivatives Market risk management system was completed in April 2007. The automation of the risk management processes, the report generation and exception handling functions provides higher operational efficiency and effectiveness, helping to strengthen internal operational controls.

The DCASS Official Closing Quotation (“OCQ”) was implemented in May 2007. The automation and streamlining of the OCQ calculation and determination methodology improve the overall effectiveness of day-end closing and should facilitate the introduction of more products in the Derivatives Market.

Treasury

The Group’s funds available for investment comprise Corporate Funds, Margin Funds and Clearing House Funds, totalling \$35.5 billion on average for the six months ended 30 June 2007 (first half of 2006: \$24.1 billion).

As compared with 31 March 2007, the overall size of funds available for investment as at 30 June 2007 increased by 14 per cent or \$4.8 billion to \$38.1 billion (31 March 2007: \$33.3 billion). Details of the asset allocation of the investments as at 30 June 2007 against those as at 31 March 2007 are set out below.

	Investment Fund Size \$ billion		Bonds		Cash or Bank Deposits		Global Equities	
	Jun	Mar	Jun	Mar	Jun	Mar	Jun	Mar
Corporate Funds	7.5	7.0	68%	55%	27%	39%	5%	6%
Margin Funds	28.3	24.5	51%	63%	49%	37%	0%	0%
Clearing House Funds	2.3	1.8	14%	11%	86%	89%	0%	0%
Total	38.1	33.3	52%	59%	47%	40%	1%	1%

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the Clearing House Funds and Margin Funds. Excluding equities held under the Corporate Funds (\$0.4 billion as at 30 June 2007 and \$0.4 billion as at 31 March 2007), which have no maturity date, the maturity profiles of the remaining investments as at 30 June 2007 (\$37.7 billion) and 31 March 2007 (\$32.9 billion) were as follows:

	Investment Fund Size \$ billion		Overnight		>Overnight to 1 month		>1 month to 1 year		>1 year to 3 years		> 3 years	
	Jun	Mar	Jun	Mar	Jun	Mar	Jun	Mar	Jun	Mar	Jun	Mar
Corporate Funds	7.1	6.6	20%	21%	6%	30%	46%	20%	18%	19%	10%	10%
Margin Funds	28.3	24.5	30%	36%	24%	7%	45%	55%	1%	2%	0%	0%
Clearing House Funds	2.3	1.8	86%	82%	0%	7%	14%	11%	0%	0%	0%	0%
Total	37.7	32.9	31%	35%	19%	12%	43%	46%	5%	5%	2%	2%

Credit exposure is well diversified. The Group's bond portfolio held is of investment grade and, as at 30 June 2007, had a weighted average credit rating of Aa1 (31 March 2007: Aa2) and a weighted average maturity of 0.7 year (31 March 2007: 0.7 year). 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.

Risk management techniques, such as Value-at-Risk ("VaR") and portfolio stress testing, are used to identify, measure, monitor and control market risks. 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 overall risk, as measured by the VaR methodology, during the second quarter and the first quarter of 2007 was as follows:

	Average VaR \$ million		Highest VaR \$ million		Lowest VaR \$ million	
	Apr-Jun	Jan-Mar	Apr-Jun	Jan-Mar	Apr-Jun	Jan-Mar
Corporate Funds	16.6	17.0	18.1	19.0	15.5	14.4
Margin Funds	11.5	12.6	12.5	14.3	10.4	10.1
Clearing House Funds	0.5	0.2	0.6	0.2	0.2	0.1

Details of the Group's net investment income are set out in the Income section under the Financial Review and note 6 to the condensed consolidated accounts of this interim report.

FINANCIAL REVIEW

Overall Performance

	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000
RESULTS		
Income:		
Income affected by market turnover	1,954,516	1,157,097
Stock Exchange listing fees	294,000	213,405
Income from sale of information	275,686	183,857
Net investment income	452,740	216,922
Other income	179,996	123,967
	3,156,938	1,895,248
Operating expenses	665,644	596,488
Operating profit	2,491,294	1,298,760
Gain on disposal of an associate	206,317	–
Share of profits of associates	5,587	9,252
Profit before taxation	2,703,198	1,308,012
Taxation	(372,897)	(199,701)
Profit attributable to shareholders	2,330,301	1,108,311
Basic earnings per share	\$2.19	\$1.04
Diluted earnings per share	\$2.16	\$1.03
Interim dividend declared per share	\$1.79	\$0.94
Dividend payout ratio	82%	90%
Dividend payout ratio (excluding gain on disposal of an associate)	90%	90%
	Unaudited at 30 Jun 2007 \$'000	Audited at 31 Dec 2006 \$'000
KEY BALANCE SHEET ITEMS		
Shareholders' funds	6,348,521	5,257,586
Total assets *	48,972,467	40,453,298
Net assets per share #	\$5.95	\$4.94

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

Based on 1,067,670,846 shares as at 30 June 2007, being 1,068,959,346 shares issued and fully paid less 1,288,500 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 recorded a profit attributable to shareholders of \$2,330 million for the first six months of 2007 (first quarter: \$922 million; second quarter: \$1,408 million) compared with \$1,108 million for the same period in 2006 (2006 first quarter: \$479 million; second quarter: \$629 million).

The rise in profit for the six months ended 30 June 2007 was primarily attributable to the higher turnover-related income resulting from the increase in level of activities in the Cash and Derivatives Markets, which was partly driven by the improved market sentiment following the relaxation of rules governing the permissible investments under the QDII scheme. Net investment income more than doubled as a result of higher net interest income and an increase in fair value gains of Corporate Fund investments in 2007. Moreover, the Group disposed of its entire interest in CHIS during the period and generated a gain of \$206 million.

Total operating expenses increased by 12 per cent during the period mainly due to higher staff costs and premises expenses but were partly offset by a decrease in depreciation.

Income

(A) Income affected by market turnover

	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Change
Trading fees and trading tariff	1,074,819	621,834	73%
Clearing and settlement fees	571,274	316,655	80%
Depository, custody and nominee services fees	308,423	218,608	41%
Total	1,954,516	1,157,097	69%

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 six months 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, electronic-IPO handling charges, corporate action fees and stock custody fees. 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

	Six months ended 30 Jun 2007	Six months ended 30 Jun 2006	Change
Average daily turnover value on the Stock Exchange	\$59.2 billion	\$32.6 billion	82%
Average daily number of derivatives contracts traded on the Futures Exchange	145,852	97,471	50%
Average daily number of stock options contracts traded on the Stock Exchange	131,040	63,411	107%

(B) Stock Exchange listing fees

	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Change
Annual listing fees	147,041	134,654	9%
Initial and subsequent issue listing fees	143,970	75,921	90%
Others	2,989	2,830	6%
Total	294,000	213,405	38%

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 the number of newly listed derivative warrants.

Key drivers for annual listing fees

	As at 30 Jun 2007	As at 30 Jun 2006	Change
Number of companies listed on Main Board	1,002	948	6%
Number of companies listed on GEM	194	200	(3%)
Total	1,196	1,148	4%

Key drivers for initial and subsequent issue listing fees

	Six months ended 30 Jun 2007	Six months ended 30 Jun 2006	Change
Number of newly listed derivative warrants	2,305	1,112	107%
Number of newly listed companies on Main Board	32	22	45%
Number of newly listed companies on GEM	–	4	(100%)
Total equity funds raised on Main Board	\$187.3 billion	\$189.3 billion	(1%)
Total equity funds raised on GEM	\$6.4 billion	\$6.5 billion	(2%)

(C) Income from sale of information

	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Change
Income from sale of information	275,686	183,857	50%

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

(D) Net investment income

	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Change
Gross investment income	735,622	423,583	74%
Interest expenses	(282,882)	(206,661)	37%
Net investment income	452,740	216,922	109%

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

	Six months ended 30 Jun 2007 \$ billion	Six months ended 30 Jun 2006 \$ billion	Change
Corporate Funds	6.4	4.6	39%
Margin Funds	27.1	17.7	53%
Clearing House Funds	2.0	1.8	11%
Total	35.5	24.1	47%

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

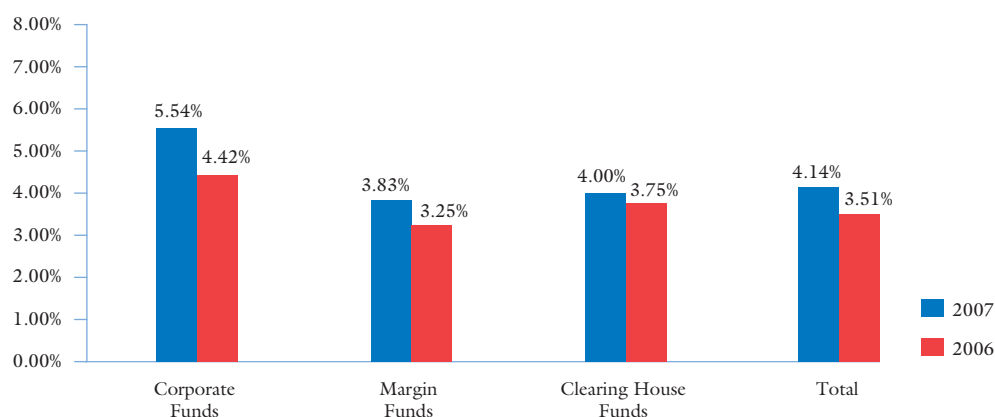
The rise in average amount of Margin Funds available for investment during the period was primarily caused by the increased open interest in futures and options contracts.

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 net 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 six months of 2007 as compared with the corresponding period in 2006.

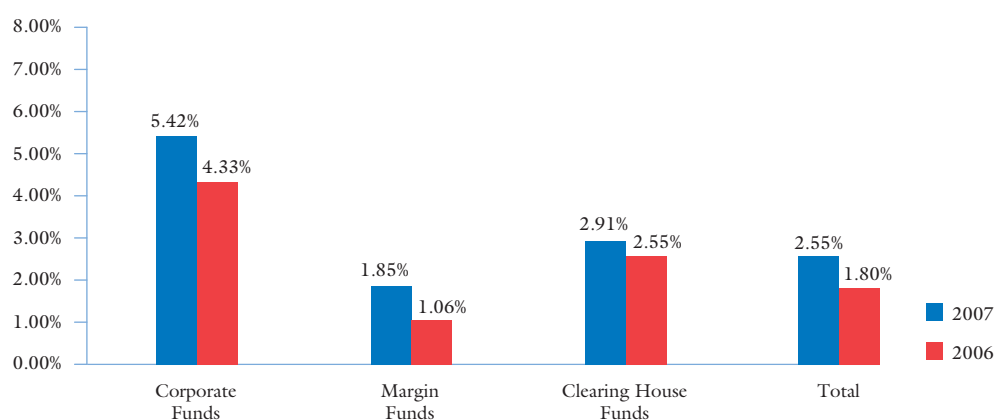
The annualised gross return on funds available for investment during the first six months is set out below:

Annualised Gross Return on Funds Available for Investment



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

Annualised Net Return on Funds Available for Investment



The increase in 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 six months 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 increase in net return of Clearing House Fund investments was higher than the increase in gross return as a lower 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.

(E) Other income

	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Change
Network, terminal user, dataline and software sub-license fees	107,861	77,928	38%
Participants' subscription and application fees	17,051	17,016	0%
Brokerage on direct IPO allotments	36,069	17,104	111%
Trading booth user fees	4,788	4,371	10%
Fair value gain of an investment property	1,100	1,000	10%
Accommodation income	5,340	820	551%
Miscellaneous income	7,787	5,728	36%
Total	179,996	123,967	45%

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

Brokerage on direct IPO allotments increased as the number of newly listed companies increased.

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 Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Change
Staff costs and related expenses	386,548	323,918	19%
Information technology and computer maintenance expenses	100,697	93,801	7%
Premises expenses	65,575	57,574	14%
Product marketing and promotion expenses	7,108	6,453	10%
Legal and professional fees	4,390	6,629	(34%)
Depreciation	42,456	50,260	(16%)
Other operating expenses	58,870	57,853	2%
Total	665,644	596,488	12%

Staff costs and related expenses increased by \$63 million, primarily due to the increase in salary costs and provident fund contributions as a result of the increase in headcount and salary adjustments 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 \$34 million (2006: \$28 million), were \$67 million (2006: \$66 million). The increase in costs directly consumed by Participants was primarily due to the increase in the purchases of 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 fees for the judicial review of the New World case in the first six months of 2006.

Depreciation decreased as certain fixed assets became fully depreciated.

Gain on Disposal of an Associate

	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Change
Gain on disposal of an associate	206,317	–	N/A

On 29 March 2007, the Group entered into an agreement to sell all of its 30 per cent interest in CHIS for a consideration of \$270 million as the Board considered that the sale represented a good opportunity for the Group to realise the gain on the associate. The transaction was completed on 3 April 2007, and the gain on disposal of the investment was recognised in the profit and loss account in the second quarter of the year.

Share of Profits of Associates

	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Change
Share of profits of associates	5,587	9,252	(40%)

Share of profits of associates decreased due to the disposal of the Group's investment in CHIS in April 2007.

Taxation

	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Change
Taxation	372,897	199,701	87%

Taxation increased mainly attributable to an increase in operating profit, but partly offset by an increase in non-taxable investment income and the non-taxable gain on disposal of an associate.

Comparison of 2007 Second Quarter Performance with 2007 First Quarter Performance

	Unaudited Three months ended 30 Jun 2007 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000
Income:		
Income affected by market turnover:		
Trading fees and trading tariff	570,406	504,413
Clearing and settlement fees	309,770	261,504
Depository, custody and nominee services fees	247,681	60,742
Stock Exchange listing fees	150,599	143,401
Income from sale of information	148,074	127,612
Net investment income	229,597	223,143
Other income	101,872	78,124
	1,757,999	1,398,939
Operating expenses	343,001	322,643
Operating profit	1,414,998	1,076,296
Gain on disposal of an associate	206,317	–
Share of profits of an associate	–	5,587
Profit before taxation	1,621,315	1,081,883
Taxation	(213,551)	(159,346)
Profit attributable to shareholders	1,407,764	922,537

Profit attributable to shareholders increased by \$486 million to \$1,408 million for the second quarter of 2007 (2007 first quarter: \$922 million). The increase in profit was mainly due to the one-off gain on the disposal of the Group's investment in an associate of \$206 million and the increase in income affected by market turnover, income from sale of information and other income, but partly offset by the increase in operating expenses and taxation charge.

Depository, custody and nominee services fees rose significantly as a result of the increase in scrip fee income due to seasonal fluctuations, whereas trading fees and trading tariff, clearing and settlement fees and income from sale of information rose in tandem with the activities of the Cash and Derivatives Markets. In addition, other income of the Group rose due to the increase in brokerage on direct IPO allotments during the second quarter, which was in line with the increase in number of newly listed companies during the quarter.

Key market indicators

	Three months ended 30 Jun 2007	Three months ended 31 Mar 2007	Change
Average daily turnover value on the Stock Exchange	\$65.9 billion	\$52.9 billion	25%
Average daily number of derivatives contracts traded on the Futures Exchange	147,572	144,216	2%
Average daily number of stock options contracts traded on the Stock Exchange	137,742	124,662	10%

Operating expenses increased mainly as a result of the increase in staff costs which was attributable to the increase in performance bonus accruals on account of the improved performance of the Group in the second quarter.

Taxation increased mainly attributable to an increase in operating profit, but was partly offset by an increase in non-taxable gain on disposal of an associate.

Working Capital

Working capital increased by \$1,039 million or 24 per cent to \$5,310 million as at 30 June 2007 (31 December 2006: \$4,271 million). The increase was primarily due to the profit generated during the first six months of \$2,330 million but was partly offset by the payment of the 2006 final dividend of \$1,270 million in May 2007, and the decrease in other working capital of \$21 million.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes. As at 30 June 2007, the Group's total available banking facilities amounted to \$3,058 million (31 December 2006: \$1,558 million), of which \$3,000 million (31 December 2006: \$1,500 million) were repurchase facilities to augment the liquidity of the Margin Funds.

Borrowings by the Group have been rare and are mostly event driven, with little seasonality. As at 30 June 2007, the gearing ratio was 9 per cent (31 December 2006: zero gearing) as there was a temporary drawdown of bank overdraft facilities by the Margin Funds as a result of a delay in payment processing on 29 June 2007. The overdrafts were settled on 3 July 2007.

The Group's capital expenditure commitments as at 30 June 2007 were mainly related to the ongoing investments in facilities and technology, and amounted to \$65 million (31 December 2006: \$92 million). The Group has adequate internal resources to fund its commitments on capital expenditures.

As at 30 June 2007, 97 per cent (31 December 2006: 97 per cent) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and time deposits within three months of maturity when acquired) was denominated in HKD or USD.

Charges on Assets

None of the Group's assets was pledged as at 30 June 2007 and 31 December 2006.

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 interim report.

Contingent Liabilities

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

PROSPECTS

The Cash and Derivatives Markets remained robust in the second quarter of 2007. Daily turnover in the Cash Market surpassed \$100 billion twice in June 2007 and again six times in July 2007. The turnover on 1 August 2007 of about \$122.4 billion was the highest single-day turnover ever recorded in Hong Kong. The HSI and the H-shares Index closed at record highs of 21999.91 and 12239.71 respectively on 22 June 2007, and further reached 23472.88 and 13480.72 on 24 July 2007. Fuelled by the strong market performance, the closing price of HKEx's shares was \$110.50 per share on 29 June 2007, an increase of 29 per cent since the end of 2006.

Looking ahead, macro-economic factors, for example, interest and inflation rates, the macro-control measures to check the pace of the fast-growing Mainland economy and the global economic performance under the worries over the US subprime mortgage problems, may give rise to uncertainties and volatility on the performance of the Cash and Derivatives Markets in Hong Kong.

Nonetheless, there are positive factors for the solid development of the local securities market. Further to the permission granted to Mainland commercial banks, insurance companies and securities institutions to make overseas investment under the QDII scheme last year, mutual funds and securities institutions have been allowed for the first time to invest in overseas stocks effective 5 July 2007 and insurers will be allowed to invest 15 per cent of their assets abroad as announced on 25 July 2007. Hong Kong is well positioned to benefit from the progressive liberalisation of Mainland financial policies.

The Global Financial Centres Index which evaluates the competitiveness of 46 financial centres worldwide, published by the City of London in March this year, ranked Hong Kong as the third global financial centre, behind only London and New York, and said it is a thriving regional centre which performs well in key competitiveness areas, especially in regulation. Although Hong Kong has already established itself as a leading international financial centre, we seek to further broaden our market into one of global significance in the Asian time zone.

HKEx will continue to focus on reinforcing its role as China's international exchange and developing our Mainland business by facilitating the capital formation of Mainland companies globally, and seeking the listing and trading of more Mainland-related products on the Exchange. In addition, we are proactively promoting our securities market to potential quality issuers, particularly those with business in Hong Kong and the Mainland, and exploring the expansion of products and services for global investors. For instance, consultants have been retained to conduct studies in respect of the feasibility of introducing commodities derivatives and emissions-related products for trading in Hong Kong. It is our objective to be a leading international marketplace for securities and derivatives products, which would not only foster the further development of the Group and improve shareholders' return, but also strengthen Hong Kong's competitiveness in the global financial arena.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Three months ended 30 Jun 2007 \$'000	Unaudited Three months ended 30 Jun 2006 \$'000
INCOME	2				
Trading fees and trading tariff	4	1,074,819	621,834	570,406	324,281
Stock Exchange listing fees	5	294,000	213,405	150,599	103,712
Clearing and settlement fees		571,274	316,655	309,770	162,035
Depository, custody and nominee services fees		308,423	218,608	247,681	177,505
Income from sale of information		275,686	183,857	148,074	98,340
Net investment income	6	452,740	216,922	229,597	103,963
Other income	7	179,996	123,967	101,872	71,285
	3	3,156,938	1,895,248	1,757,999	1,041,121
OPERATING EXPENSES					
Staff costs and related expenses	8	386,548	323,918	204,243	164,792
Information technology and computer maintenance expenses	9	100,697	93,801	49,396	47,337
Premises expenses		65,575	57,574	33,165	30,941
Product marketing and promotion expenses		7,108	6,453	4,629	3,592
Legal and professional fees		4,390	6,629	3,016	1,782
Depreciation		42,456	50,260	19,294	25,320
Other operating expenses	10	58,870	57,853	29,258	30,197
	3	665,644	596,488	343,001	303,961
OPERATING PROFIT	3	2,491,294	1,298,760	1,414,998	737,160
GAIN ON DISPOSAL OF AN ASSOCIATE	3/16(b)	206,317	–	206,317	–
SHARE OF PROFITS OF ASSOCIATES	3	5,587	9,252	–	6,032
PROFIT BEFORE TAXATION	3	2,703,198	1,308,012	1,621,315	743,192
TAXATION	3/11	(372,897)	(199,701)	(213,551)	(113,720)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	3/29	2,330,301	1,108,311	1,407,764	629,472
DIVIDENDS	12	1,911,131	1,000,050	1,911,131	1,000,050
Basic earnings per share	13(a)	\$2.19	\$1.04	\$1.32	\$0.59
Diluted earnings per share	13(b)	\$2.16	\$1.03	\$1.31	\$0.58
Interim dividend declared per share		\$1.79	\$0.94	\$1.79	\$0.94
Dividend payout ratio		82%	90%	N/A	N/A
Dividend payout ratio (excluding gain on disposal of an associate)		90%	90%	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Share capital, share premium and shares held for Share Award Scheme (note 25) \$'000	Employee share-based compensation reserve (note 26) \$'000	Revaluation reserves (note 27) \$'000	Hedging reserve \$'000	Designated reserves (note 28) \$'000	Retained earnings (note 29) \$'000	Total equity \$'000
At 1 Jan 2007	1,200,093	52,119	10,569	-	668,262	3,326,543	5,257,586
Change in valuation of leasehold buildings	-	-	(44)	-	-	-	(44)
Change in fair value of available-for-sale financial assets	-	-	(25,954)	-	-	-	(25,954)
Realisation of change in fair value of available-for-sale financial assets on maturity and disposal	-	-	(4,235)	-	-	-	(4,235)
Cash flow hedges:							
- fair value gains of hedging instruments	-	-	-	132	-	-	132
- transfer to profit and loss account as information technology and computer maintenance expenses	-	-	-	(70)	-	-	(70)
- transfer to profit and loss account as net investment income	-	-	-	(62)	-	-	(62)
Deferred tax arising from change in valuation of leasehold buildings	-	-	7	-	-	-	7
Deferred tax arising from change in fair value of available-for-sale financial assets	-	-	2,257	-	-	-	2,257
Unclaimed dividend forfeited	-	-	-	-	-	1,944	1,944
Net (loss)/gain recognised directly in equity	-	-	(27,969)	-	-	1,944	(26,025)
Profit attributable to shareholders	-	-	-	-	-	2,330,301	2,330,301
Total recognised (loss)/profit	-	-	(27,969)	-	-	2,332,245	2,304,276
2006 final dividend	-	-	-	-	-	(1,270,266)	(1,270,266)
Shares issued under employee share option schemes	47,948	-	-	-	-	-	47,948
Shares purchased for Share Award Scheme	(2,592)	-	-	-	-	-	(2,592)
Employee share-based compensation benefits	-	12,140	-	-	-	-	12,140
Share of reserves of an associate:							
- during the period	-	47	-	-	-	-	47
- eliminated through disposal of associate	-	(560)	(58)	-	-	-	(618)
Transfer of reserves	13,397	(13,397)	-	-	30,493	(30,493)	-
At 30 Jun 2007	1,258,846	50,349	(17,458)	-	698,755	4,358,029	6,348,521

	Unaudited						
	Share capital, share premium and shares held for Share Award Scheme \$'000	Employee share-based compensation reserve \$'000	Revaluation reserves \$'000	Hedging reserve \$'000	Designated reserves \$'000	Retained earnings \$'000	Total equity \$'000
At 1 Jan 2006	1,183,132	34,980	(37,086)	-	700,641	2,455,804	4,337,471
Change in valuation of leasehold buildings	-	-	52	-	-	-	52
Change in fair value of available-for-sale financial assets	-	-	12,098	-	-	-	12,098
Realisation of change in fair value of available-for-sale financial assets on maturity and disposal	-	-	5,895	-	-	-	5,895
Cash flow hedges:							
- fair value gains of hedging instruments	-	-	-	255	-	-	255
- transfer to profit and loss account as information technology and computer maintenance expenses	-	-	-	(116)	-	-	(116)
Deferred tax arising from change in valuation of leasehold buildings	-	-	(9)	-	-	-	(9)
Deferred tax arising from change in fair value of available-for-sale financial assets	-	-	14	-	-	-	14
Net gain recognised directly in equity	-	-	18,050	139	-	-	18,189
Profit attributable to shareholders	-	-	-	-	-	1,108,311	1,108,311
Total recognised profit	-	-	18,050	139	-	1,108,311	1,126,500
2005 final dividend	-	-	-	-	-	(680,588)	(680,588)
Shares issued under employee share option schemes	24,038	-	-	-	-	-	24,038
Shares purchased for Share Award Scheme	(666)	-	-	-	-	-	(666)
Employee share-based compensation benefits	-	13,730	-	-	-	-	13,730
Share of reserves of an associate	-	348	(2)	-	-	-	346
Transfer of reserves	5,473	(5,473)	-	-	(53,440)	53,440	-
At 30 Jun 2006	1,211,977	43,585	(19,038)	139	647,201	2,936,967	4,820,831

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited at 30 Jun 2007 \$'000	Audited at 31 Dec 2006 \$'000
NON-CURRENT ASSETS			
Fixed assets	14	211,352	210,161
Investment property	15	20,400	19,300
Lease premiums for land		93,301	93,575
Investment in an associate	16	–	68,377
Clearing House Funds	17	2,349,087	2,270,531
Compensation Fund Reserve Account	18	41,523	40,535
Available-for-sale financial assets	19	124,769	–
Time deposit with maturity over one year		–	38,886
Deferred tax assets		3,928	3,330
Other financial assets		19,541	18,583
Other assets		3,212	3,212
		2,867,113	2,766,490
CURRENT ASSETS			
Accounts receivable, prepayments and deposits	20	11,734,686	10,201,562
Lease premiums for land		548	548
Margin Funds on derivatives contracts	21	27,078,271	21,666,474
Financial assets at fair value through profit or loss	22	2,957,324	2,878,224
Available-for-sale financial assets	19	2,299,640	539,132
Time deposits with original maturities over three months		106,541	185,611
Cash and cash equivalents		1,928,344	2,215,257
		46,105,354	37,686,808
CURRENT LIABILITIES			
Margin deposits from Clearing Participants on derivatives contracts	21	27,078,271	21,666,474
Accounts payable, accruals and other liabilities	23	12,892,346	11,107,200
Financial liabilities at fair value through profit or loss	22	3,459	7,505
Participants' admission fees received		1,950	1,700
Deferred revenue		189,504	318,468
Taxation payable		600,483	287,368
Provisions	24	28,990	26,712
		40,795,003	33,415,427
NET CURRENT ASSETS		5,310,351	4,271,381
TOTAL ASSETS LESS CURRENT LIABILITIES		8,177,464	7,037,871

	Note	Unaudited at 30 Jun 2007 \$'000	Audited at 31 Dec 2006 \$'000
NON-CURRENT LIABILITIES			
Participants' admission fees received		80,050	79,750
Participants' contributions to Clearing House Funds	17	1,692,899	1,642,495
Deferred tax liabilities		11,957	14,003
Financial guarantee contract	32(b)	19,909	19,909
Provisions	24	24,128	24,128
		1,828,943	1,780,285
NET ASSETS			
		6,348,521	5,257,586
CAPITAL AND RESERVES			
Share capital	25	1,068,959	1,065,448
Share premium	25	243,776	185,942
Shares held for Share Award Scheme	25	(53,889)	(51,297)
Employee share-based compensation reserve	26	50,349	52,119
Revaluation reserves	27	(17,458)	10,569
Designated reserves	28	698,755	668,262
Retained earnings	29	2,446,898	2,060,156
Proposed/declared dividends	29	1,911,131	1,266,387
		6,348,521	5,257,586
SHAREHOLDERS' FUNDS			
		\$5.95	\$4.94
SHAREHOLDERS' FUNDS PER SHARE			

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited Six months ended 30 Jun 2007 \$'000	Unaudited Six months ended 30 Jun 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash inflow from operating activities	30(a)	1,958,508	1,239,895
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of fixed assets		(46,824)	(40,823)
Proceeds from sales of fixed assets		260	338
Net proceeds from disposal/liquidation of an associate		270,050	1,312
Dividends received from an associate		9,660	12,784
Decrease in time deposits with original maturities more than three months		117,956	67,434
Net increase in available-for-sale financial assets of the Corporate Funds		(1,693,365)	–
Interest received from available-for-sale financial assets		313,617	76,923
Net cash (outflow)/inflow from investing activities		(1,028,646)	117,968
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares under employee share option schemes		47,948	24,038
Purchase of shares for Share Award Scheme		(2,592)	(666)
Net admission fees received from/(refunded to) Participants		550	(1,050)
Dividends paid		(1,262,681)	(677,062)
Net cash outflow from financing activities		(1,216,775)	(654,740)
Net (decrease)/increase in cash and cash equivalents		(286,913)	703,123
Cash and cash equivalents at 1 Jan		2,215,257	1,359,133
Cash and cash equivalents at 30 Jun		1,928,344	2,062,256
Analysis of cash and cash equivalents			
Time deposits with original maturities within three months		1,134,306	1,760,234
Cash at bank and in hand		794,038	302,022
Cash and cash equivalents at 30 Jun		1,928,344	2,062,256

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED)

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 2006 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 2006.

Hong Kong Exchanges and Clearing Limited (“HKEx”) and its subsidiaries (“Group”) manage a significant portfolio of investments. Securities and derivative financial instruments (ie 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, net 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:

	Six months ended 30 Jun 2007				
	Cash Market \$'000	Derivatives Market \$'000	Clearing Business \$'000	Information Services \$'000	Group \$'000
Income	1,339,179	523,264	1,017,005	277,490	3,156,938
Operating expenses					
Direct costs	235,264	66,418	174,216	24,270	500,168
Indirect costs	75,100	24,497	54,782	11,097	165,476
	310,364	90,915	228,998	35,367	665,644
Segment results	1,028,815	432,349	788,007	242,123	2,491,294
Gain on disposal of an associate	–	–	206,317	–	206,317
Share of profits of an associate	–	–	5,587	–	5,587
Segment profits before taxation	1,028,815	432,349	999,911	242,123	2,703,198
Taxation					(372,897)
Profit attributable to shareholders					2,330,301

	Six months ended 30 Jun 2006				
	Cash Market \$'000	Derivatives Market \$'000	Clearing Business \$'000	Information Services \$'000	Group \$'000
Income	811,202	279,013	619,756	185,277	1,895,248
Operating expenses					
Direct costs	211,119	59,316	163,083	21,938	455,456
Indirect costs	63,557	19,472	47,993	10,010	141,032
	274,676	78,788	211,076	31,948	596,488
Segment results	536,526	200,225	408,680	153,329	1,298,760
Share of profits of associates	1	–	9,251	–	9,252
Segment profits before taxation	536,527	200,225	417,931	153,329	1,308,012
Taxation					(199,701)
Profit attributable to shareholders					1,108,311

3. Segment Information (continued)

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 net 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 net 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 net 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

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Trading fees and trading tariff were derived from:				
Securities traded on the Cash Market	815,240	448,962	444,274	232,872
Derivatives contracts traded on the Derivatives Market	259,579	172,872	126,132	91,409
	1,074,819	621,834	570,406	324,281

5. Stock Exchange Listing Fees

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

	Six months ended 30 Jun 2007				Six months ended 30 Jun 2006			
	Equity		Debt & Derivatives \$'000	Total \$'000	Equity		Debt & Derivatives \$'000	Total \$'000
	Main Board \$'000	GEM \$'000			Main Board \$'000	GEM \$'000		
Stock Exchange Listing Fees								
Annual listing fees	133,817	12,246	978	147,041	121,371	12,413	870	134,654
Initial and subsequent issue listing fees	28,298	2,255	113,417	143,970	17,801	2,430	55,690	75,921
Prospectus vetting fees	1,740	45	50	1,835	1,230	240	60	1,530
Other listing fees	924	230	-	1,154	860	440	-	1,300
Total	164,779	14,776	114,445	294,000	141,262	15,523	56,620	213,405
Costs of Listing Function								
<u>Direct costs</u>								
Staff costs and related expenses	76,614	14,544	5,667	96,825	57,196	15,429	2,915	75,540
Information technology and computer maintenance expenses	1,001	239	-	1,240	943	248	-	1,191
Premises expenses	8,829	1,621	436	10,886	6,902	1,842	407	9,151
Legal and professional fees	2,131	53	-	2,184	3,018	492	-	3,510
Depreciation	945	190	57	1,192	2,093	636	29	2,758
Other operating expenses	2,706	1,132	223	4,061	10,408	2,607	132	13,147
Total direct costs	92,226	17,779	6,383	116,388	80,560	21,254	3,483	105,297
Total indirect costs	15,668	2,724	3,842	22,234	13,448	2,885	2,170	18,503
Contribution	56,885	(5,727)	104,220	155,378	47,254	(8,616)	50,967	89,605

5. Stock Exchange Listing Fees (continued)

	Three months ended 30 Jun 2007				Three months ended 30 Jun 2006			
	Equity		Debt & Derivatives \$'000	Total \$'000	Equity		Debt & Derivatives \$'000	Total \$'000
	Main Board \$'000	GEM \$'000			Main Board \$'000	GEM \$'000		
Stock Exchange Listing Fees								
Annual listing fees	67,902	6,179	544	74,625	61,225	6,217	437	67,879
Initial and subsequent issue listing fees	15,911	1,665	56,808	74,384	6,504	1,150	26,727	34,381
Prospectus vetting fees	1,155	15	10	1,180	645	105	50	800
Other listing fees	266	144	-	410	318	334	-	652
Total	85,234	8,003	57,362	150,599	68,692	7,806	27,214	103,712
Costs of Listing Function								
<u>Direct costs</u>								
Staff costs and related expenses	40,984	8,034	2,962	51,980	29,297	7,207	1,532	38,036
Information technology and computer maintenance expenses	563	134	-	697	579	153	-	732
Premises expenses	4,507	855	208	5,570	3,890	953	237	5,080
Legal and professional fees	1,945	-	-	1,945	399	252	-	651
Depreciation	472	96	48	616	952	282	15	1,249
Other operating expenses	1,666	765	188	2,619	5,021	1,107	39	6,167
Total direct costs	50,137	9,884	3,406	63,427	40,138	9,954	1,823	51,915
Total indirect costs	8,223	1,435	1,937	11,595	6,916	1,417	1,091	9,424
Contribution	26,874	(3,316)	52,019	75,577	21,638	(3,565)	24,300	42,373

Listing fee income was primarily 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 were regulatory in nature, which comprised 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 (“Main Board Listing Rules”) 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. Net Investment Income

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Interest income				
– bank deposits	299,176	279,615	145,852	148,697
– listed available-for-sale financial assets	15,071	8,203	6,687	4,824
– unlisted available-for-sale financial assets	309,694	68,720	160,902	49,102
	623,941	356,538	313,441	202,623
Interest expenses	(282,882)	(206,661)	(135,726)	(116,271)
Net interest income	341,059	149,877	177,715	86,352
Net realised and unrealised gains/(losses) and interest income on financial assets and financial liabilities at fair value through profit or loss, held for trading				
– listed securities	76,771	38,820	44,360	(1,754)
– unlisted securities	17,432	17,629	3,527	9,995
– exchange differences	13,292	6,791	1,687	6,756
	107,495	63,240	49,574	14,997
Dividend income				
– listed financial assets at fair value through profit or loss	4,012	3,678	2,300	2,567
Other exchange differences on loans and receivables	174	127	8	47
Net investment income	452,740	216,922	229,597	103,963
Net investment income was derived from:				
Corporate Funds (note a)	172,415	99,532	86,763	35,721
Margin Funds	250,876	94,172	127,485	55,853
Clearing House Funds	29,449	23,218	15,349	12,389
	452,740	216,922	229,597	103,963

- (a) Net investment income derived from Corporate Funds included net investment income of Compensation Fund Reserve Account of \$1,102,000 (2006: \$972,000) and \$561,000 (2006: \$517,000) for the six months and three months ended 30 June 2007 respectively.

7. Other Income

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Network, terminal user, dataline and software sub-license fees	107,861	77,928	54,800	42,730
Participants' subscription and application fees	17,051	17,016	8,571	8,501
Brokerage on direct IPO allotments	36,069	17,104	27,722	13,840
Trading booth user fees	4,788	4,371	2,394	2,391
Fair value gain of an investment property (note 15)	1,100	1,000	600	400
Accommodation income on securities deposited by Participants as alternatives to cash deposits of the Margin Funds	5,340	820	3,499	462
Miscellaneous income	7,787	5,728	4,286	2,961
	179,996	123,967	101,872	71,285

8. Staff Costs and Related Expenses

Staff costs and related expenses comprised the following:

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Salaries and other short-term employee benefits	347,592	283,921	184,959	145,327
Employee share-based compensation benefits (note 26)	12,140	13,730	6,008	6,510
Termination benefits	173	160	–	–
Retirement benefit costs (note a):				
– ORSO Plan	26,416	25,934	13,159	12,874
– MPF Scheme	227	173	117	81
	386,548	323,918	204,243	164,792

8. Staff Costs and Related Expenses (continued)

- (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 June 2007 and 31 December 2006.

9. Information Technology and Computer Maintenance Expenses

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Costs of services and goods:				
– consumed by the Group	67,001	65,470	33,293	33,023
– directly consumed by Participants	33,696	28,331	16,103	14,314
	100,697	93,801	49,396	47,337

10. Other Operating Expenses

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Provision for impairment losses of trade receivables	373	412	436	297
Insurance	2,413	8,056	1,217	4,049
Financial data subscription fees	1,986	2,237	980	1,098
Custodian and fund management fees	4,460	4,145	2,267	2,126
Bank charges	9,626	4,774	6,136	2,795
Repair and maintenance expenses	4,339	4,285	2,583	2,593
License fees	6,653	4,854	2,808	2,346
Communication expenses	2,698	2,452	1,448	1,304
Other miscellaneous expenses	26,322	26,638	11,383	13,589
	58,870	57,853	29,258	30,197

11. Taxation

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

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Provision for Hong Kong Profits				
Tax for the period (note a)	373,277	205,309	213,750	116,204
Deferred taxation	(380)	(5,608)	(199)	(2,484)
	372,897	199,701	213,551	113,720

- (a) Hong Kong Profits Tax has been provided for at 17.5 per cent (2006: 17.5 per cent) on the estimated assessable profit for the period.

12. Dividends

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Interim dividend declared of \$1.79 (2006: \$0.94) per ordinary share based on issued share capital as at balance sheet date	1,913,437	1,000,962	1,913,437	1,000,962
Less: Dividend for shares held by HKEx Employee Share Trust	(2,306)	(912)	(2,306)	(912)
	1,911,131	1,000,050	1,911,131	1,000,050

- (a) Actual 2006 interim dividend paid was \$1,000,307,000, of which \$257,000 was paid on shares issued for employee share options exercised after 30 June 2006.

13. Earnings Per Share

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

(a) Basic earnings per share

	Six months ended 30 Jun 2007	Six months ended 30 Jun 2006	Three months ended 30 Jun 2007	Three months ended 30 Jun 2006
Profit attributable to shareholders (\$'000)	2,330,301	1,108,311	1,407,764	629,472
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme	1,066,212,556	1,062,829,246	1,067,212,215	1,063,538,851
Basic earnings per share	\$2.19	\$1.04	\$1.32	\$0.59

(b) Diluted earnings per share

	Six months ended 30 Jun 2007	Six months ended 30 Jun 2006	Three months ended 30 Jun 2007	Three months ended 30 Jun 2006
Profit attributable to shareholders (\$'000)	2,330,301	1,108,311	1,407,764	629,472
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme	1,066,212,556	1,062,829,246	1,067,212,215	1,063,538,851
Effect of employee share options	10,237,627	11,255,801	9,133,278	11,584,907
Effect of Awarded Shares	1,210,428	957,434	1,234,601	955,590
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,077,660,611	1,075,042,481	1,077,580,094	1,076,079,348
Diluted earnings per share	\$2.16	\$1.03	\$1.31	\$0.58

14. Fixed Assets

The total cost of additions to fixed assets of the Group during the six months to 30 June 2007 was \$43,627,000 (2006: \$28,022,000) which mainly related to purchases of computer systems, hardware and software (2006: mainly represented costs incurred on the renovation of the Trading Hall and Exhibition Hall). The total cost and net book value of disposals and write-offs of fixed assets during the six months to 30 June 2007 were \$2,741,000 and \$Nil respectively (2006: \$19,674,000 and \$1,012,000 respectively).

The Group's leasehold buildings included in fixed assets were revalued as at 30 June 2007 on the basis of their depreciated replacement costs calculated by Jones Lang LaSalle, an independent firm of qualified property valuers. During the six months ended 30 June 2007, a revaluation deficit net of applicable deferred tax of \$37,000 was charged (2006: revaluation gain net of applicable deferred tax of \$43,000 was credited) to the leasehold buildings revaluation reserve (note 27), and a revaluation gain of \$64,000 (2006: \$62,000) was credited to the condensed consolidated profit and loss account to offset previous impairment losses charged to the profit and loss account.

15. Investment Property

The Group's investment property was revalued as at 30 June 2007 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 six months ended 30 June 2007 of \$1,100,000 (2006: \$1,000,000) was credited to the condensed consolidated profit and loss account under other income (note 7).

16. Investment in an Associate

	At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Share of net assets of an associate	–	18,170
Goodwill (note a)	–	50,207
	–	68,377

(a) Goodwill

	2007 \$'000	2006 \$'000
At 1 Jan	50,207	50,207
Disposal of an associate (note b)	(50,207)	–
At 30 Jun 2007/31 Dec 2006	–	50,207

	At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Represented by:		
Opening value upon adoption of HKFRS 3	–	24,941
At cost	–	25,266
	–	50,207

- (b) On 29 March 2007, the Group entered into an agreement to sell all of its 7,317 fully paid Class A ordinary shares (equivalent to 30 per cent of the issued share capital) of Computershare Hong Kong Investor Services Limited (“CHIS”) for a consideration of \$270,320,000 as the board of directors considered that the sale represented a good opportunity for the Group to realise a gain on the investment. The transaction was completed on 3 April 2007 and the Group ceased to have significant influence over CHIS on the same date. The accounting profit on disposal of the investment, after deducting stamp duty of \$270,000, amounted to \$206,317,000 and was recognised in the profit and loss account during the six months ended 30 June 2007.

17. Clearing House Funds

	At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Net assets of the Clearing House Funds were as follows:		
HKSCC Guarantee Fund	352,263	344,825
SEOCH Reserve Fund	773,031	578,407
HKCC Reserve Fund	1,223,793	1,347,299
	2,349,087	2,270,531
Net assets of the Clearing House Funds were composed of:		
Available-for-sale financial assets:		
Debt securities, at market value		
– listed in Hong Kong	–	129,512
– unlisted	340,039	187,700
Cash and cash equivalents	2,025,158	1,957,229
	2,365,197	2,274,441
Less: Other liabilities	(16,110)	(3,910)
	2,349,087	2,270,531
The Clearing House Funds were funded by:		
Clearing Participants' cash contributions (note a)	1,692,899	1,642,495
Designated reserves (note 28):		
– Clearing houses' contributions	320,200	320,200
– Forfeiture of a defaulted Clearing Participant's contributions	1,928	1,928
– Accumulated net investment income net of expenses attributable to:		
– Clearing Participants' contributions	253,064	232,148
– Clearing houses' contributions	82,015	73,540
	657,207	627,816
Revaluation reserve (note 27(b))	(1,019)	220
	2,349,087	2,270,531
The maturity profile of the net assets of the Clearing House Funds was as follows:		
Amounts maturing within twelve months	2,349,087	2,270,531

- (a) Amount included Participants' additional deposits of \$1,331,249,000 (31 December 2006: \$1,279,645,000).
- (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 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Net assets of the Compensation Fund Reserve Account were composed of:		
Available-for-sale financial assets:		
Unlisted debt securities, at market value	43,083	42,990
Other receivables	250	–
Cash and cash equivalents	10,120	8,653
	53,453	51,643
Less: Other liabilities	(11,930)	(11,108)
	41,523	40,535
The Fund represented:		
Accumulated net investment and other income net of expenses included in designated reserves (note 28)	41,548	40,446
Revaluation reserve (note 27(b))	(25)	89
	41,523	40,535
The maturity profile of the net assets of the Compensation Fund Reserve Account was as follows:		
Amounts maturing within twelve months	41,523	40,535

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. Available-for-sale Financial Assets

	At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Debt securities, at market value		
– listed in Hong Kong	–	28,462
– listed outside Hong Kong	–	43,574
– unlisted	2,424,409	467,096
	2,424,409	539,132
Analysis of available-for-sale financial assets:		
Non-current portion maturing after twelve months	124,769	–
Current portion maturing within twelve months	2,299,640	539,132
	2,424,409	539,132

20. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits amounted to \$11,734,686,000 (31 December 2006: \$10,201,562,000). These mainly represented the Group's CNS money obligations receivable under the T+2 settlement cycle, which accounted for 94 per cent (31 December 2006: 94 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.

21. Margin Funds on Derivatives Contracts

	At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'000
The Margin Funds comprised:		
SEOCH Clearing Participants' Margin Funds	5,153,658	3,994,664
HKCC Clearing Participants' Margin Funds	21,924,613	17,671,810
	27,078,271	21,666,474
The net assets of the Margin Funds comprised:		
Available-for-sale financial assets:		
Debt securities, at market value:		
– listed in Hong Kong	–	137,191
– listed outside Hong Kong	620,953	634,688
– unlisted	13,707,241	10,311,166
Time deposits with original maturities over three months	–	51,459
Cash and cash equivalents	14,512,963	10,664,404
Margin receivable from Clearing Participants	17,894	61,813
	28,859,051	21,860,721
Less:		
Bank overdrafts	(556,074)	–
Other liabilities	(1,224,706)	(194,247)
	27,078,271	21,666,474
The Group's liabilities in respect of the Margin Funds were as follows:		
Margin deposits from SEOCH and HKCC Participants on derivatives contracts	27,078,271	21,666,474
The maturity profile of the net assets of Margin Funds was as follows:		
Amounts maturing after more than twelve months	401,113	–
Amounts maturing within twelve months	26,677,158	21,666,474
	27,078,271	21,666,474

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

	At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Analysis of financial assets at fair value through profit or loss:		
<u>Held for trading</u>		
Equity securities, at market value		
– listed in Hong Kong	215,758	186,658
– listed outside Hong Kong	173,054	194,267
	388,812	380,925
<u>Held for trading</u>		
Debt securities, at market value		
– listed in Hong Kong	106,276	70,539
– listed outside Hong Kong	1,446,833	1,255,022
– unlisted	1,013,245	1,169,592
	2,566,354	2,495,153
<u>Held for trading</u>		
Derivative financial instruments, at market value		
– forward foreign exchange contracts	2,158	2,146
	2,957,324	2,878,224
Analysis of financial liabilities at fair value through profit or loss:		
<u>Held for trading</u>		
Derivative financial instruments, at market value		
– forward foreign exchange contracts	3,459	7,505

23. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities amounted to \$12,892,346,000 (31 December 2006: \$11,107,200,000). These mainly represented the Group's CNS money obligations payable under the T+2 settlement cycle, which accounted for 85 per cent (31 December 2006: 86 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 2007	24,128	26,712	50,840
Provision for the period	–	18,972	18,972
Amount used during the period	–	(15,942)	(15,942)
Amount paid during the period	–	(752)	(752)
At 30 Jun 2007	24,128	28,990	53,118

	At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Analysis of provisions:		
Current	28,990	26,712
Non-current	24,128	24,128
	53,118	50,840

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

			At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'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 \$'000	Total \$'000
At 1 Jan 2006	1,061,796,846	1,062,755	150,405	(30,028)	1,183,132
Shares issued under employee share option schemes (note a)	2,693,500	2,693	28,202	-	30,895
Transfer from employee share-based compensation reserve (note 26)	-	-	7,335	-	7,335
Shares purchased for Share Award Scheme (note b)	(300,000)	-	-	(21,269)	(21,269)
At 31 Dec 2006	1,064,190,346	1,065,448	185,942	(51,297)	1,200,093
At 1 Jan 2007	1,064,190,346	1,065,448	185,942	(51,297)	1,200,093
Shares issued under employee share option schemes (note a)	3,511,000	3,511	44,437	-	47,948
Transfer from employee share-based compensation reserve (note 26)	-	-	13,397	-	13,397
Shares purchased for Share Award Scheme (note b)	(30,500)	-	-	(2,592)	(2,592)
At 30 Jun 2007	1,067,670,846	1,068,959	243,776	(53,889)	1,258,846

- (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 3,511,000 shares (year ended 31 December 2006: 2,693,500 shares) in HKEx at an average consideration of \$13.66 per share (year ended 31 December 2006: \$11.47 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 Employees’ Share Award Scheme (“HKEx Employee Share Trust”) acquired 30,500 HKEx shares (year ended 31 December 2006: 300,000 shares) through purchases on the open market for the Share Award Scheme (note 26(c)). The total amount paid to acquire the shares during the period was \$2,592,000 (year ended 31 December 2006: \$21,269,000) and had been deducted from shareholders’ equity.

26. Employee Share-based Compensation Reserve

	2007 \$'000	2006 \$'000
At 1 Jan	52,119	34,980
Employee share-based compensation benefits (note a)	12,140	24,033
Transfer to share premium upon exercise of employee share options (note 25)	(13,397)	(7,335)
Share of reserve of an associate:		
– during the period	47	441
– eliminated through disposal of associate	(560)	–
At 30 Jun 2007/31 Dec 2006	50,349	52,119

(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 share awards over the relevant vesting periods, the total of which is based on the fair value of the options and share awards granted. The amount for each period is determined by spreading the fair value of the options and share awards 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) HKEx operates two share option schemes, the Pre-Listing Scheme and the Post-Listing Scheme, under which the Board may, at its discretion, offer any employee (including any Executive Director) of HKEx or its subsidiaries, options to subscribe for shares in HKEx subject to the terms and conditions stipulated in the two schemes. Both schemes were approved by the shareholders of HKEx on 31 May 2000 and have a life of 10 years until 30 May 2010. Amendments to the Post-Listing Scheme, including, inter alia, the abolition of granting options at a discounted price, were approved by the shareholders of HKEx on 17 April 2002 so as to comply with the new requirements of Chapter 17 of the Main Board Listing Rules which came into effect on 1 September 2001.

The options granted under the Pre-Listing Scheme are exercisable, subject to a vesting scale which commenced on 6 March 2002 in tranches of 25 per cent per annum and reaching 100 per cent on 6 March 2005, not later than 30 May 2010, providing the grantees remain under the employ of the Group. Share options granted under the Post-Listing Scheme are exercisable, subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and reaching 100 per cent on the fifth anniversary of the date of grant, not later than 10 years from the date of grant, providing that the grantees remain under the employ of the Group.

26. Employee Share-based Compensation Reserve (continued)

(b) Share options (continued)

(i) (continued)

No share options were granted after 26 January 2005 and no further share options will be granted following the adoption of the Share Award Scheme in September 2005 (note 26(c)).

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

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

	2007		2006	
	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	788,000	6.88	2,126,000
Exercised	6.88	(407,000)	6.88	(1,338,000)
Outstanding at 30 Jun 2007/ 31 Dec 2006	6.88	381,000	6.88	788,000
Post-Listing Scheme				
Outstanding at 1 Jan	15.68	14,593,500	15.80	16,574,000
Exercised	14.55	(3,104,000)	16.00	(1,355,500)
Forfeited	12.70	(1,021,500)	18.32	(625,000)
Outstanding at 30 Jun 2007/ 31 Dec 2006	16.30	10,468,000	15.68	14,593,500
Total	15.97	10,849,000	15.23	15,381,500

26. Employee Share-based Compensation Reserve (continued)

(b) Share options (continued)

- (iii) Had all the outstanding employee share options been fully exercised on 30 June 2007, the Group would have received \$173,279,000 in proceeds. The market value of the shares issued based on the closing price of \$110.50 per share on that date would have been \$1,198,814,000. The theoretical gains made by the employees or Executive Director concerned would have been as follows:

	Number of shares issuable under options granted at 30 Jun 2007	Exercise price \$	Gain per share \$	Aggregate gain \$'000
Pre-Listing Scheme				
- granted to employees on 20 Jun 2000	381,000	6.88	103.62	39,479
Post-Listing Scheme				
- granted to an Executive Director on 2 May 2003	1,640,000	8.28	102.22	167,641
- granted to an employee on 14 Aug 2003	547,000	12.45	98.05	53,633
- granted to an employee on 15 Jan 2004	547,000	17.30	93.20	50,980
- granted to employees on 31 Mar 2004	3,307,000	16.96	93.54	309,337
- granted to an employee on 17 May 2004	150,000	15.91	94.59	14,189
- granted to employees on 26 Jan 2005	4,277,000	19.25	91.25	390,276
Total	10,849,000			1,025,535

(c) Awarded shares

- (i) On 14 September 2005 (“Adoption Date”), the Board of HKEx approved the 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 in accordance with the terms and conditions of the Share Award Scheme. Pursuant to the rules of the Share Award Scheme, the Group has set up a trust, HKEx Employee Share Trust, for the purpose of administering the Share Award Scheme and holding the Awarded Shares before they vest. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no contribution will be made by HKEx to the HKEx Employee Share Trust on or after the tenth anniversary of the Adoption Date. Awarded Shares awarded and the dividends derived therefrom are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and reaching 100 per cent on the fifth anniversary of the date of approval of the award by the Board or the date as determined by the Board at its discretion, providing that the awardees remain under the employ of the Group. Vested shares will be transferred at no cost to the relevant awardees.

26. Employee Share-based Compensation Reserve (continued)

(c) Awarded shares (continued)

(i) (continued)

Prior to 16 August 2006, a fixed number of HKEx shares were awarded to eligible employees which would then be acquired from the market at the cost of HKEx by the trustee of the HKEx Employee Share Trust (“the trustee”). With effect from 16 August 2006, the rules of the Share Award Scheme have been amended and the Board will thereafter approve a monetary amount for each award (“Awarded Sum”) plus transaction costs to be incurred, with which the trustee will then purchase the maximum number of board lots of HKEx shares from the market within 20 business days after receiving the Awarded Sum and transaction costs from HKEx. The Awarded Shares purchased will then be allocated to each awardee based on the monetary amount awarded to him/her, rounded down to the nearest share.

Dividends on the Awarded Shares are used to acquire further HKEx shares and allocated to the awardees on a pro rata basis. The vesting periods of such shares are the same as those of the Awarded Shares to which the dividends relate.

On 19 December 2005, 960,000 Awarded Shares were awarded 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. The trustee acquired 958,000 HKEx shares at a total cost (including related transaction costs) of \$30,028,000 in December 2005 and the remaining 2,000 shares at a total cost (including related transaction costs) of \$70,000 in January 2006.

On 13 December 2006, the Board approved and awarded an Awarded Sum of \$19,673,000 to certain employees. Subsequently, the trustee purchased 272,500 Awarded Shares at a total cost (including related transaction costs) of \$19,696,000 (ie, average fair value of \$72.28 per share), and 272,465 Awarded Shares were allocated to eligible employees on 15 January 2007. The Awarded Shares will be transferred to the employees at nil consideration upon vesting between 13 December 2008 and 13 December 2011.

On 14 February 2007, the Board approved an Awarded Sum of \$600,000 to be awarded to an employee who joined HKEx on 16 April 2007. Subsequently, the trustee purchased 7,000 Awarded Shares at a total cost (including related transaction costs) of \$569,000 (ie, average fair value of \$81.33 per share) and they were allocated to the employee on 7 June 2007. The Awarded Shares will be transferred to the employee at nil consideration upon vesting between 16 April 2009 and 16 April 2012.

On 15 May 2007, the Board approved an Awarded Sum of \$600,000 to be awarded to an employee who joined HKEx on 18 June 2007. Subsequently, the trustee purchased 5,500 Awarded Shares at a total cost (including related transaction costs) of \$563,000 on 20 June 2007 (ie, average fair value of \$102.29 per share) and they were allocated to the employee on 17 July 2007. The Awarded Shares will be transferred to the employee at nil consideration upon vesting between 18 June 2009 and 18 June 2012.

26. Employee Share-based Compensation Reserve (continued)

(c) Awarded shares (continued)

(i) (continued)

Further, during the six months ended 30 June 2007, 18,000 HKEx shares (year ended 31 December 2006: 25,500 shares) were acquired by the trustee through reinvesting dividends received at a total cost (including related transaction costs) of \$1,460,000 (year ended 31 December 2006: \$1,503,000), of which 17,502 shares (year ended 31 December 2006: 24,867 shares) were subsequently allocated to awardees.

(ii) Movements in the number of Awarded Shares awarded were as follows:

	2007 Number of Awarded Shares awarded	2006 Number of Awarded Shares awarded
Outstanding at 1 Jan	955,906	960,000
Awarded (average fair value per share \$72.50)* #	279,465	–
Forfeited	(1,800)	(28,700)
Dividends reinvested:		
– allocated to awardees	17,502	24,867
– allocated to awardees but subsequently forfeited	(73)	(261)
Outstanding at 30 Jun 2007/31 Dec 2006	1,251,000	955,906

* Included 272,465 Awarded Shares purchased for the Awarded Sum of \$19,673,000 approved by the Board on 13 December 2006, which were allocated to the awardees upon the completion of share purchase by the trustee on 15 January 2007.

Excluded 5,500 Awarded Shares purchased for the Awarded Sum of \$600,000 approved by the Board on 15 May 2007, which were allocated to the awardee upon the completion of share purchase by the trustee on 17 July 2007.

For Awarded Shares granted prior to 16 August 2006, the fair value of the Awarded Shares awarded was based on the market value of HKEx shares at award date. For Awarded Shares granted after 16 August 2006, the fair value of the Awarded Shares awarded was based on the average purchase cost per Awarded Share acquired by the trustee from the market. The expected dividends during the vesting periods have been incorporated into the fair value.

- (iii) As at 30 June 2007, 37,500 forfeited and unallocated shares were held by the HKEx Employee Share Trust. Out of these shares, 5,500 shares were allocated to an awardee on 17 July 2007, and the remaining 32,000 shares would be allocated to awardees in future (31 December 2006: 302,094 shares, of which 272,465 shares were allocated to awardees on 15 January 2007).
- (iv) Had all outstanding Awarded Shares been fully vested on 30 June 2007, the theoretical gains of the awardees based on the closing price of \$110.50 per share on that date would have been \$138,236,000.

27. Revaluation Reserves

	At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Leasehold buildings revaluation reserve	2,603	2,640
Investment revaluation reserve (note b and note c)	(20,061)	7,929
	(17,458)	10,569

- (a) The revaluation reserves are segregated for their respective specific purposes and are stated net of applicable deferred taxes.
- (b) Included gross investment revaluation deficits of \$1,019,000 and \$25,000 which were attributable to investments of the Clearing House Funds and the Compensation Fund Reserve Account respectively (31 December 2006: gross surpluses of \$220,000 and \$89,000 respectively).
- (c) Balance at 31 December 2006 included share of investment revaluation reserve of an associate of \$58,000.

28. Designated Reserves

Designated reserves are segregated for their respective purposes and comprised the following:

	At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Clearing House Funds reserves		
– HKSCC Guarantee Fund reserve	263,062	256,514
– SEOCH Reserve Fund reserve	83,011	71,193
– HKCC Reserve Fund reserve	311,134	300,109
	657,207	627,816
Compensation Fund Reserve Account reserve	41,548	40,446
	698,755	668,262

29. Retained Earnings (Including Proposed/Declared Dividends)

	2007 \$'000	2006 \$'000
At 1 Jan		
Retained earnings	2,060,156	1,775,641
Proposed/declared dividends	1,266,387	680,163
At 1 Jan	3,326,543	2,455,804
Profit for the period/year (note a)	2,330,301	2,518,569
Surplus of net investment income net of expenses of Clearing House Funds for the period/year transferred to Clearing House Funds reserves	(29,391)	(37,840)
Net investment income net of expenses of Compensation Fund Reserve Account for the period/year transferred to Compensation Fund Reserve Account reserve	(1,102)	(2,026)
Transfer from Development reserve (note b)	–	72,245
	(30,493)	32,379
Unclaimed dividend forfeited	1,944	686
Dividends:		
2006/2005 final dividend	(1,266,387)	(679,549)
Dividend on shares issued for employee share options exercised after 31 Dec 2006/31 Dec 2005	(3,879)	(1,039)
	(1,270,266)	(680,588)
2006 interim dividend	–	(1,000,050)
Dividend on shares issued for employee share options exercised after 30 Jun 2006	–	(257)
	–	(1,000,307)
At 30 Jun 2007/31 Dec 2006	4,358,029	3,326,543
Representing:		
Retained earnings	2,446,898	2,060,156
Proposed/declared dividends	1,911,131	1,266,387
At 30 Jun 2007/31 Dec 2006	4,358,029	3,326,543

- (a) The Group's profit for the period/year included a net profit attributable to net investment income net of expenses of the Clearing House Funds and Compensation Fund Reserve Account for an aggregate amount of \$30,493,000 (year ended 31 December 2006: \$39,866,000).
- (b) The Development reserve was fully utilised in 2006 for funding projects that were for the betterment of the securities market.

30. Notes to the Condensed Consolidated Cash Flow Statement

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

	Six months ended 30 Jun 2007 \$'000	As restated Six months ended 30 Jun 2006 \$'000
Profit before taxation	2,703,198	1,308,012
Adjustments for:		
Net interest income	(341,059)	(149,877)
Net realised and unrealised gains and interest income on financial assets and financial liabilities at fair value through profit or loss	(107,495)	(63,240)
Dividend income from financial assets at fair value through profit or loss	(4,012)	(3,678)
Amortisation of lease premiums for land	274	273
Fair value gain of an investment property	(1,100)	(1,000)
Depreciation	42,456	50,260
Employee share-based compensation benefits	12,140	13,730
Reversal of impairment loss of a leasehold building	(64)	(62)
Provision for impairment losses of trade receivables	373	412
Changes in provisions	2,278	(421)
Share of profits of associates	(5,587)	(9,252)
Gain on disposal/liquidation of an associate	(206,317)	(6)
(Gain)/loss on disposal of fixed assets	(260)	674
Net increase in financial assets and financial liabilities at fair value through profit or loss	(15,654)	(31,471)
Fair value gains of hedging instruments retained in hedging reserve	-	139
Settlement of amounts transferred from retained earnings to Clearing House Funds and Compensation Fund Reserve Account	(30,493)	(18,805)
Increase in accounts receivable, prepayments and deposits	(1,547,289)	(1,687,127)
Increase in other current liabilities	1,437,660	1,762,179
Net cash inflow from operations	1,939,049	1,170,740
Interest received from bank deposits	299,176	279,615
Dividends received from financial assets at fair value through profit or loss	3,402	3,381
Interest received from financial assets at fair value through profit or loss	59,758	46,468
Interest paid	(282,715)	(206,428)
Hong Kong Profits Tax paid	(60,162)	(53,881)
Net cash inflow from operating activities	1,958,508	1,239,895

30. Notes to the Condensed Consolidated Cash Flow Statement (continued)

- (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 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Contracted but not provided for	3,472	9,144
Authorised but not contracted for	61,144	82,461
	64,616	91,605

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 June 2007, there was an outstanding claim received in respect of one Stock Exchange Participant (31 December 2006: two).

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 June 2007, no such claims had been received in response to the said notice.

32. Contingent Liabilities (continued)

(a) (continued)

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.

- (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 428 trading Participants as at 30 June 2007 (31 December 2006: 425) defaulted, the maximum contingent liability of the Stock Exchange under the indemnity would amount to \$85,600,000 (31 December 2006: \$85,000,000).

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 2006: \$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 for Clearing House Fund Contributions and Margin Fund Obligations for Derivatives Contracts

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

As at 30 June 2007, 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 for derivatives contracts were as follows:

	At 30 Jun 2007		At 31 Dec 2006	
	Amount received \$'000	Amount utilised \$'000	Amount received \$'000	Amount utilised \$'000
Clearing House Funds				
Bank guarantees	799,550	387,803	699,130	491,866
Margin Funds for derivatives contracts				
Equity securities, listed in				
Hong Kong, at market value	931,337	—*	604,276	—*
US Treasury Bills, at market value	2,669,524	1,617,379	1,516,506	1,074,285
Bank guarantees	309,000	12,128	269,000	181,111
	3,909,861	1,629,507	2,389,782	1,255,396
	4,709,411	2,017,310	3,088,912	1,747,262

* \$658,399,000 (31 December 2006: \$286,494,000) of equity securities received were used to cover call options issued by SEOCH Participants whose underlying stocks were the same as the collateral received. Under the Operational Clearing Procedures for Options Trading Exchange Participants of SEOCH, such call options issued are not marginable positions (ie, no margin requirements). Hence, the amount is not treated as having been utilised for covering Margin Fund obligations.

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, 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

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Rental payments (including air conditioning and cleaning service charges) to Shine Hill Development Limited (“Shine Hill”)	-	1,757	-	386

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 six months and three months ended 30 June 2006 disclosed above represented expenses incurred up to 26 April 2006.

(b) Transactions with associates

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Income received and receivable from/ (expenses paid and payable to) associates:				
<u>CHIS</u>				
- Dividend income	9,660	7,500	2,160	4,500
- Share registration service fees	(396)	(254)	(1)	(131)
<u>ADP Wilco Processing Services Limited</u>				
- Liquidation proceeds	-	1,312	-	-

On 3 April 2007, the Group disposed of all of its interest in CHIS. The dividend income and share registration service fees for the six months and three months ended 30 June 2007 disclosed above represented transactions up to that date.

34. Material Related Party Transactions (continued)

(c) Key management personnel compensation

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Salaries and other short-term employee benefits	34,533	29,227	18,347	16,056
Employee share-based compensation benefits	4,273	4,605	2,108	2,233
Retirement benefit costs	2,792	2,776	1,448	1,388
	41,598	36,608	21,903	19,677

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

	At 30 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Amount due to an associate	–	(162)

On 3 April 2007, the Group disposed of all of its interest in CHIS, which ceased to be a related party of the Group thereafter.

(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.

(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).

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.

35. Financial Risk Management (continued)

(a) Market risk (continued)

Investment and fund management is governed by investment policy 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 (eg permissible asset type, asset allocation, liquidity, credit, counterparty concentration, maturity, foreign exchange and interest rate risks) of the investments.

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.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset, liability or highly probable forecast transaction denominated in foreign currency will fluctuate because of changes in foreign exchange rates. 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 cash and bank 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.

The investment in non-HKD securities is governed by the Group's investment policy and subject to the following restrictions:

- up to 20 per cent of the Corporate Funds may be invested in non-HKD or non-USD investments after hedging;
- only USD investments are permitted for the Clearing House Funds; and
- foreign currency investments or deposits of the Margin Funds are permitted to the extent that they fully match the liabilities of the respective currencies, except up to 25 per cent of the HKD liabilities may be invested in USD deposits for a maximum maturity of two weeks.

As at 30 June 2007, the aggregate net open foreign currency positions amounted to HK\$2,177 million, of which HK\$192 million were non-USD exposures (31 December 2006: HK\$2,210 million, of which HK\$213 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK\$446 million (31 December 2006: HK\$281 million). All forward foreign exchange contracts would mature within one month (31 December 2006: one month).

35. Financial Risk Management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group had entered into the following hedges as at 30 June 2007:

Cash flow hedges

Year	Hedged items	Hedging instruments	Hedged risk	Amount of hedging instruments remained	
				At 30 Jun 2007	At 31 Dec 2006
2005	Forecast information technology and computer maintenance expenses of Swedish Krona ("SEK") 8,500,000 from August to December 2005	Bank deposit of SEK8,500,000	Foreign exchange risk	SEK Nil	SEK933,000
2006	Forecast information technology and computer maintenance expenses of SEK17,680,000 from May to December 2006	Cash and bank deposits of SEK17,680,000	Foreign exchange risk	SEK800,000	SEK13,612,000
2007	Forecast information technology and computer maintenance expenses of SEK10,587,000 from January to May 2007	Bank deposits of SEK10,587,000	Foreign exchange risk	SEK10,587,000	N/A

In addition to the above, a bank deposit of SEK1,413,000 was designated in January 2007 as a hedging instrument for hedging forecast information technology and computer maintenance expenses of SEK1,413,000 from 30 May 2007 to 31 December 2007. In May 2007, the cash flow hedge was terminated as the forecast transactions for 30 May 2007 to 31 December 2007 were no longer expected to materialise. As a result, the exchange gain of the hedging instrument deferred in the hedging reserve of \$62,000 was credited to the profit and loss account during the period ended 30 June 2007.

As at 30 June 2007, the fair value of the bank deposits designated as cash flow hedges held by the Group was \$12,982,000 (31 December 2006: \$16,531,000).

The ineffectiveness of cash flow hedges charged to the profit and loss account during the period was as follows:

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Ineffectiveness of cash flow hedges charged to profit and loss account	-	3	-	3

35. Financial Risk Management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Fair value hedges

Year	Hedged items	Hedging instruments	Hedged risk	Amount of hedging instruments remained	
				At 30 Jun 2007	At 31 Dec 2006
2005	Financial liabilities of SEK11,000,000	Bank deposit of SEK11,000,000	Foreign exchange risk	SEK195,000	SEK3,444,000
2006	Financial liabilities of SEK9,100,000	Cash and bank deposits of SEK9,100,000	Foreign exchange risk	SEK15,000	SEK1,011,000
2007	Financial liabilities of SEK1,340,000	Bank deposit of SEK1,340,000	Foreign exchange risk	SEK1,340,000	N/A

As at 30 June 2007, the fair value of the bank deposits designated as fair value hedges was \$1,767,000 (31 December 2006: \$5,062,000).

The fair value changes of hedging instruments and hedged items during the period were as follows:

	Six months ended 30 Jun 2007 \$'000	Six months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2007 \$'000	Three months ended 30 Jun 2006 \$'000
Fair value (losses)/gains on hedging instruments	(28)	795	84	496
Fair value gains/(losses) on hedged items	28	(795)	(84)	(496)

(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.

(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.

35. Financial Risk Management (continued)

(a) Market risk (continued)

(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 but 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:

	Six months ended 30 Jun 2007			Six months ended 30 Jun 2006		
	Average \$’000	Highest \$’000	Lowest \$’000	Average \$’000	Highest \$’000	Lowest \$’000
Foreign exchange risk	4,758	6,094	3,566	6,154	7,422	4,949
Equity price risk	13,691	15,636	11,486	10,829	13,032	8,991
Interest rate risk	16,658	18,724	13,703	11,530	13,862	9,040
Total VaR	24,825	27,446	21,423	17,416	19,673	15,939

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.

35. Financial Risk Management (continued)

(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 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 June 2007, the Group's total available banking facilities amounted to \$3,058 million (31 December 2006: \$1,558 million), of which \$3,000 million (31 December 2006: \$1,500 million) were repurchase facilities to augment the liquidity of the Margin Funds.

(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 (ie deposit-takers, bond issuers and debtors) and by diversification. As at 30 June 2007, the bonds held were of investment grade and had a weighted average credit rating of Aa1 (31 December 2006: Aa2), and there were no financial assets whose terms were renegotiated (31 December 2006: \$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.

Position limits are imposed by HKCC and SEOCH 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 June 2007, bank guarantees of \$1,887,700,000 (31 December 2006: \$1,511,500,000) were accepted for such purpose.

In addition to the above, the Group has set aside \$3,100 million of shareholders' funds for the purpose of strengthening the risk management regime of the clearing houses and supporting their roles as central counterparties.

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

As at 30 June 2007, 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 Jun 2007 \$'000	At 31 Dec 2006 \$'000
Up to 6 months	49,542	186,359
Over 6 months to 1 year	4	-
Over 1 year to 3 years	-	-
Over 3 years*	8,651	8,651
Total	58,197	195,010

* No provision for impairment losses has been made against trade receivables amounting to \$8,510,000 (31 December 2006: \$8,510,000) 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 \$6,117,000 (31 December 2006: \$6,088,000).

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

As at 30 June 2007, trade receivables of the Group amounting to \$5,052,000 (31 December 2006: \$4,679,000) 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 2006 annual accounts. No cash deposits had been placed by the related trade debtors with the Group (31 December 2006: \$Nil).

35. Financial Risk Management (continued)

(c) Credit risk (continued)

(v) 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 June 2007, the amount of doubtful deferred revenue amounted to \$44,322,000 (31 December 2006: \$44,242,000).

36. Comparative Figures

Certain comparative figures have been adjusted to conform with changes in presentation in the current period.

AUDIT COMMITTEE REPORT

The Audit Committee (“AC”) comprises five Independent Non-executive Directors appointed by the Board who have extensive experience in financial matters. Dr Marvin K T Cheung, Mr Fong Hup and Mr Vincent K H Lee are Certified Public Accountants but none of them were employed by or otherwise affiliated with the former or existing auditors of HKEx.

The AC assists the Board by providing an independent review and supervision of financial reporting, and satisfying themselves as to the effectiveness of the Group’s internal controls and the adequacy of the external and internal audits. In performing its duties, the AC examines all matters relating to the Group adopted accounting principles and practices and reviews the Group’s information systems. External auditors, the Chief Executive and senior executives are invited to attend the meetings, as when necessary. The terms of reference of the AC explaining its role and authority are posted on HKEx’s corporate website.

At its meeting held on 19 January 2007, the AC reviewed the 2006 internal audit activities, assessed the HKEx internal control through an evaluation conducted by internal audit, and discussed the internal audit report on the investigation of market makers. At its meeting held on 3 May 2007, the AC reviewed the work of the external audit, considered the qualifications of the engagement team, and approved the proposed audit services fees for the 2007 fiscal year.

On 9 August 2007, AC reviewed the Group’s unaudited interim accounts for the six months ended 30 June 2007 in conjunction with HKEx’s external auditors. It also reviewed the accounting principles and practices adopted by the Group, and the independent review report of the external auditors as set out on page 84.

Based on these reviews, and discussions with the management and external auditors, the AC endorsed the accounting treatment adopted by HKEx, and had to the best of its ability assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and the Appendix 16 to the Main Board Listing Rules. The AC therefore recommended the Board to approve the unaudited financial statements for the six months ended 30 June 2007 for public release.

Members of the Audit Committee

CHEUNG Kin Tung, Marvin (Chairman)

FONG Hup (Deputy Chairman)

CHENG Mo Chi, Moses

LEE Kwan Ho, Vincent Marshall

WEBB, David Michael

Hong Kong, 15 August 2007

AUDITORS' INDEPENDENT REVIEW REPORT

Independent Review Report to the Board of Directors of Hong Kong Exchanges and Clearing Limited

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 39 to 82, which comprises the condensed consolidated balance sheet of Hong Kong Exchanges and Clearing Limited (the "Company") as at 30 June 2007 and the related condensed consolidated profit and loss account, statement of changes in equity and cash flows for the six-month period then ended. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 August 2007

OTHER INFORMATION

Board of Directors

Mr John Estmond Strickland and Mr Wong Sai Hung, Oscar were successfully re-elected by Shareholders at the 2007 AGM and their service terms are approximately three years from 26 April 2007 until the conclusion of the annual general meeting to be held in 2010. On the same day, the Financial Secretary re-appointed Dr Cheung Kin Tung, Marvin, Mr Fan Hung Ling, Henry and Mr Fong Hup as Government Appointed Directors each for a term of approximately two years from 26 April 2007 until the conclusion of the annual general meeting to be held in 2009.

Committees and Consultative Panels

After the 2007 AGM, changes were made to the composition of various Committees, which are set out on pages 8 and 9.

On 29 May 2007, the Board appointed certain new members to the Cash Market Consultative Panel, Derivatives Market Consultative Panel and Clearing Consultative Panel to succeed the retiring members, each for a three-year term starting from 1 June 2007.

Lists of committee and panel members are also available on HKEx's corporate website.

Senior Executives

On 14 February 2007, the Board approved the appointment of Mr Gerald Dale Greiner, the former Deputy Chief Operating Officer, as the Chief Operating Officer of HKEx and the Chief Executive of the Stock Exchange. The appointments took effect from 16 February 2007 upon receiving the SFC's approval.

On 16 April and 18 June 2007, Ms Chan Yiting, Bonnie and Mr Cheng Man Yeung, Michael joined HKEx as Senior Vice Presidents, to lead the IPO Transactions Department and the Listing Policy and Mainland China Affairs Department of the Listing Division respectively.

In order to further enhance the organisational efficiency and risk management effectiveness of HKEx, all risk management responsibilities currently residing in the Clearing Division and Risk Management Department were consolidated into a new Risk Management Division effective 16 July 2007. The Board has established a Selection Committee for the recruitment of the Head of Risk Management, and Mr Shing Shin Cheung, Stewart, Head of Clearing Division, will, in the interim, also oversee the risk management function.

Interim Dividend

The Board has declared an interim dividend of \$1.79 per share (2006: \$0.94 per share) for the year ending 31 December 2007, amounting to a total of about \$1,913 million (2006: \$1,001 million) which includes \$2,306,000 (2006: \$912,000) for shares held in trust under the Share Award Scheme.

The interim dividend is based on 90 per cent of the Group's profit attributable to shareholders (\$2,330,301,000) less the profit generated from the sale of the Group's 30 per cent interest in CHIS (\$206,317,000).

Share Option Schemes

Details of the Share Option Schemes are set out in note 26(b) to the consolidated accounts. The share options granted and remained outstanding as at 30 June 2007 were as follows:

Pre-Listing Scheme

Date of grant	Exercise price	Number of shares issuable under the options				Exercise period (note 2)
		As at 1 Jan 2007	Issued upon subscription during the six months ended 30 Jun 2007 (note 1)	Lapsed during the six months ended 30 Jun 2007	As at 30 Jun 2007	
Employees (note 3)						
20 Jun 2000	\$6.88	788,000	407,000	–	381,000	6 Mar 2002 – 30 May 2010

No further options can be, or have been, granted under the Pre-Listing Scheme as from 27 June 2000, the date of listing of HKEx's shares on the Stock Exchange.

Post-Listing Scheme

Date of grant	Exercise price	Number of shares issuable under the options				Exercise period (note 5)
		As at 1 Jan 2007	Issued upon subscription during the six months ended 30 Jun 2007 (note 4)	Lapsed during the six months ended 30 Jun 2007	As at 30 Jun 2007	
Director (note 6)						
2 May 2003	\$8.28	2,460,000	820,000	–	1,640,000	2 May 2005 – 1 May 2013
Employees (note 3)						
14 Aug 2003	\$12.45	547,000	–	–	547,000	14 Aug 2005 – 13 Aug 2013
18 Aug 2003	\$12.49	1,476,000	492,000	984,000	–	18 Aug 2005 – 17 Aug 2013
15 Jan 2004	\$17.30	822,000	275,000	–	547,000	15 Jan 2006 – 14 Jan 2014
31 Mar 2004	\$16.96	4,084,500	762,500	15,000	3,307,000	31 Mar 2006 – 30 Mar 2014
17 May 2004	\$15.91	150,000	–	–	150,000	17 May 2006 – 16 May 2014
26 Jan 2005	\$19.25	5,054,000	754,500	22,500	4,277,000	26 Jan 2007 – 25 Jan 2015

Since the adoption of the Share Award Scheme by the Board on 14 September 2005, no further options have been granted under the Post-Listing Scheme.

No options granted under these two share option schemes were cancelled during the six months ended 30 June 2007.

Notes:

1. The weighted average closing price immediately before the dates on which the options were exercised was \$80.82.
2. Options granted are subject to a vesting scale in tranches of 25 per cent each per annum reaching 100 per cent as from 6 March 2005.
3. Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance of Hong Kong.
4. The weighted average closing price immediately before the dates on which the options were exercised was \$81.58.
5. 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.
6. The option was granted to Mr Chow Man Yiu, Paul, a Director and the Chief Executive of HKEx.
7. The amortised fair value of the share options charged to the profit and loss account for the six months ended 30 June 2007 was \$5,365,000 (30 June 2006: \$9,664,000).

Share Award Scheme

Details of the Share Award Scheme are set out in note 26(c) to the consolidated accounts.

During the period, the Board approved grants of an aggregate amount of \$1,200,000 for the purchase of Awarded Shares to two selected employees and a total of 12,500 shares of HKEx were purchased according to the Share Award Scheme. The trustee of the Share Award Scheme allocated 7,000 shares and 5,500 shares to the two employees on 7 June 2007 and 17 July 2007 respectively.

Since the adoption of the Share Award Scheme, a total of 1,244,965 shares of HKEx have been awarded to the selected employees. Among those, 11,528 shares were allocated and awarded to the Chief Executive of HKEx on 15 January 2007. Details of the awards are set out below:

Date of awards	Number of Awarded Shares	Average fair value per share (note 1)	Vesting period (note 2)
19 Dec 2005	960,000	\$31.20	19 Dec 2007 – 19 Dec 2010
15 Jan 2007	272,465	\$72.28	13 Dec 2008 – 13 Dec 2011
7 Jun 2007	7,000	\$81.33	16 Apr 2009 – 16 Apr 2012
17 Jul 2007	5,500	\$102.29	18 Jun 2009 – 18 Jun 2012

Notes:

1. Prior to 16 August 2006, the fair value of the Awarded Shares was based on the market value at the date of award. With effect from 16 August 2006, as a result of the amendments to the rules of the Share Award Scheme, the fair value of the Awarded Shares was based on the average purchase cost per share.
2. Unless otherwise determined by the Board at its discretion, Awarded Shares and the income derived therefrom are subject to a vesting scale of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of approval of the award by the Board, provided that the selected employee remains an employee of the Group at all times until the relevant vesting dates and satisfies the conditions specified under the Share Award Scheme.
3. The amortised fair value of the Awarded Shares charged to the profit and loss account for the six months ended 30 June 2007 was \$6,775,000 (30 June 2006: \$4,066,000).

As at 30 June 2007, taking into account the further shares acquired by reinvesting the dividend income received in respect of the shares held under the trust, there were a total of 1,288,500 shares held in trust by the trustee under the Share Award Scheme, with an aggregate of 5,500 unallocated shares and 32,000 shares as returned shares (ie shares were not vested and/or forfeited and/or fractional shares which were not so allocated to selected employees in accordance with the terms of the Share Award Scheme). The trustee shall hold these returned shares and future related income for the benefit of one or more employees of the Group as it determines at its discretion, after taking into consideration the recommendations of the Board. During the period, 1,800 Awarded Shares lapsed and none were vested.

Directors' and Chief Executive's Interests and Short Positions

As at 30 June 2007, the Directors, the Chief Executive and their respective associates had the following interests in the shares and underlying shares of HKEx, as recorded in the register maintained by HKEx pursuant to Section 352 of the SFO, or as otherwise notified to HKEx and the Stock Exchange pursuant to the Model Code:

Long positions in shares and underlying shares of HKEx

Name of Director	Number of shares/underlying shares held				Total	% of the issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Chow Man Yiu, Paul	3,291,692 (note 1)	–	–	–	3,291,692	0.31
Lee Kwan Ho, Vincent Marshall	–	–	1,000,000 (note 2)	–	1,000,000	0.09
John Estmond Strickland	18,000 (note 3)	–	–	–	18,000	0.00
David Michael Webb	2 (note 4)	2 (note 5)	6 (note 6)	–	10	0.00

Notes:

1. The interests included Mr Chow's interests in 11,528 Awarded Shares and 164 further shares acquired by reinvesting the dividend received therefrom according to the Share Award Scheme, and 1,640,000 underlying shares in respect of the share option granted to him pursuant to the Post-Listing Scheme on 2 May 2003. Details of the interests of Mr Chow in the share options and Awarded Shares are set out in the Share Option Schemes and Share Award Scheme stated above.
2. This represented Mr Lee's interests in the underlying shares through listed equity derivatives (physically settled options) held by Pacific Trust Company Limited, in which Mr Lee holds 33.33 per cent beneficial interests.
3. The shares were held by Mr Strickland as beneficial owner.
4. The shares were held by Mr Webb as beneficial owner.
5. The shares were owned by the spouse of Mr Webb.
6. The shares were owned by Fundamental Consultants Limited, Member One Limited and Member Two Limited which are under the control of Mr Webb.

Save for those disclosed above, as at 30 June 2007, none of the Director or the Chief Executive of HKEx or their respective associates had any interest and short position in the shares, underlying shares and debentures of HKEx or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to HKEx and the Stock Exchange pursuant to the Model Code.

Apart from the Share Option Schemes and the Share Award Scheme, at no time during the period was HKEx or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, HKEx or any body corporate. Save for the disclosed, none of the Directors or the Chief Executive (including their spouses and children under the age of 18) during the six months ended 30 June 2007 held any interest in, or were granted any right to subscribe for, the securities of HKEx and its associated corporations within the meaning of the SFO, or had exercised any such rights.

Discloseable Interests and Short Positions of Shareholders under SFO

As at 30 June 2007, the following corporation had interests in five per cent or more of the issued share capital of HKEx as recorded in the register required to be kept under Section 336 of the SFO.

Details of the interests and short positions in the shares or underlying shares of HKEx as notified to HKEx are set out below:

Long positions in shares and underlying shares of HKEx

Name	Capacity	Number of shares/ underlying shares held	Total	% of the issued share capital
JPMorgan Chase & Co	Beneficial owner	5,344,496	69,073,786 (note 1)	6.46
	Investment manager	29,983,310		
	Custodian corporation/ approved lending agent	33,745,980		

Short positions in shares and underlying shares of HKEx

Name	Capacity	Number of shares/ underlying shares held	Total	% of the issued share capital
JPMorgan Chase & Co	Beneficial owner	248,819,000	248,819,000 (note 2)	23.28

Notes:

1. It included interests in 1,263,350 underlying shares held through certain unlisted physically settled equity derivatives. It also included 33,745,980 shares in the lending pool.
2. It included interests in 248,475,000 underlying shares held through its holding of certain unlisted equity derivatives (physically settled – 7,000,000 underlying shares and cash settled – 241,475,000 underlying shares).

Minority Controllers

Under Section 61 of the SFO, no person shall be or become a Minority Controller, ie a person who, either alone or with any associated person or persons, is entitled to exercise, or control the exercise of, five per cent or more of the voting power at any general meeting of the recognised exchange controller, except with the approval in writing of the SFC after consultation with the Financial Secretary.

The SFC has so far granted approval to five entities to be Minority Controllers of HKEx, on the basis that the shares are held by them in custody for their clients.

According to the CCASS Participants Shareholding Report of HKEx as at 30 June 2007, the five approved Minority Controllers were in aggregate holding 64.10 per cent of the issued share capital of HKEx (30 June 2006: 51.32 per cent).

Employees

HKEx's success depends on the performance and commitment of all its employees. Our employee policies are geared towards attracting, developing and motivating talented and suitable people. HKEx offers competitive remuneration, including bonuses and share awards for good performers. A comprehensive review by an independent consultant of HKEx's remuneration policy and structure was conducted in 2006. As a result of the review, a refined remuneration policy and structure strongly linking employees' incentive awards and the performance of the company as well as of employees were introduced.

As an equal opportunity employer, HKEx applies human resources policies uniformly to all employees irrespective of their gender, age, nationality or grading in the organisation.

HKEx is committed to staff training and development. To ensure our employees keep up with updated skills and information, HKEx encourages and sponsors employees at all levels to participate in training and career development programmes. E-learning programmes will be introduced in the second half of 2007. E-learning will provide a wide variety of courses to complement classroom-type training programmes, enabling our employees to assess their own training needs and choose appropriate courses.

As at the end of June 2007, there were 835 employees in the Group, including 44 temporary staff (31 December 2006: 828 employees, including 35 temporary staff).

Corporate Governance

The Government Appointed Directors and the Chief Executive of HKEx in his capacity as a Director are not subject to election or re-election by Shareholders as governed by Section 77 of the SFO and the Articles of Association of HKEx respectively. Save as disclosed in this paragraph, HKEx fully complied with all the provisions set out in the CG Code as contained in Appendix 14 to the Main Board Listing Rules, and where appropriate, adopted the recommended best practices throughout the review period.

On 24 April 2007, The Asset named HKEx as one of the best companies in Hong Kong in terms of corporate governance in the magazine's annual Corporate Governance Rankings 2007.

GovernanceMetrics International, a corporate governance research and ratings agency, continued to assign high ratings to HKEx in recognition of its high corporate governance standards. As of 15 May 2007, the Global Rating and Home Market Rating remained at 7.5 and 10.0 respectively out of the maximum of 10.0.

In June 2007, the FTSE Group, a global index provider, informed us that HKEx continued to be a constituent company in the FTSE4Good Index Series which has been designated to measure the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in those companies.

Compliance with Model Code

HKEx has adopted the Model Code. All Directors have confirmed, following specific enquiry by HKEx, that they fully complied with the Model Code throughout the six-month period ended on 30 June 2007.

Purchase, Sale or Redemption of HKEx's Listed Securities

During the six months ended 30 June 2007, HKEx had not redeemed, and neither HKEx nor any of its subsidiaries had purchased or sold, any of HKEx's listed securities, except that the trustee of the Share Award Scheme had, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 12,500 shares being the Awarded Shares and a further 18,000 shares with the dividend income received during the period in respect of the shares held under the trust. The total amount paid to acquire these 30,500 shares during the period was about \$2,592,000.

By Order of the Board
Hong Kong Exchanges and Clearing Limited
Ronald Joseph ARCULLI
Chairman

Hong Kong, 15 August 2007

INFORMATION FOR STAKEHOLDERS

Interim Report

This interim report is printed in English and Chinese and is available on HKEx's corporate website at <http://www.hkex.com.hk> under the "Investor Relations Corner". Printed copies in either or both languages are posted to Shareholders in accordance with their indicated preference. Shareholders may at any time choose to change their choice of language or means of receipt of the Company's corporate communications free of charge by notice in writing to the Company Secretary or HKEx's registrar, Hong Kong Registrars Limited.

Closure of ROM

HKEx's ROM will be closed from Friday, 7 September 2007 to Tuesday, 11 September 2007, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with HKEx's registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Thursday, 6 September 2007. Dividend warrants will be despatched on or about Tuesday, 18 September 2007 to Shareholders on HKEx's ROM on 11 September 2007.

Registered Office

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Email address: info@hkex.com.hk
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Representative Office in Beijing

Address: Suite 1002, Level 10, Tower W2, The Towers, Oriental Plaza,
No. 1 East Chang An Avenue, Dong Cheng District, Beijing, China
Postal code: 100738
Telephone number: +8610 8518 3088
Fax number: +8610 8518 3288
Email address: bjo@hkex.com.hk

Guangzhou Special Representative

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339 Huanshi Dong Lu, Guangzhou, China
Postal Code: 510098
Telephone number: +8620 2237 3166
Fax number: +8620 2237 3167

Shanghai Special Representative

Address: Room 012, 14th Floor, HSBC Tower,
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 Fax number: +852 2868 4270
 Email address: info@hkex.com.hk

Secretarial Services

Name: Mr Joseph Mau, Company Secretary,
 Head of Secretarial Services Department
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 1 Harbour View Street, Central, Hong Kong
 Telephone number: +852 2840 3872
 Fax number: +852 2878 7029
 Email address: ssd@hkex.com.hk

HKEx's Registrar and Transfer Office

Name: Hong Kong Registrars Limited
 Address: 46th Floor and Rooms 1712-1716, 17th Floor, Hopewell Centre,
 183 Queen's Road East, Wanchai, Hong Kong
 Telephone number: +852 2862 8555
 Fax number: +852 2865 0990/+852 2529 6087

Financial Calendar

2007 AGM	26 April 2007
Announcement of first quarter results	9 May 2007
Announcement of interim results	15 August 2007
Announcement of third quarter results	November 2007
Announcement of final results	February or March 2008

Dividend

Interim dividend	\$1.79 per share
Ex-dividend date for interim dividend	5 September 2007
Book closing dates for interim dividend	7-11 September 2007
Record date for interim dividend	11 September 2007
Payment date for interim dividend	on or about 18 September 2007

Share Information

Share Listing

HKEx's shares were first listed on the Stock Exchange on 27 June 2000. HKEx has been included as a constituent stock of the HSI with effect from 11 September 2006.

Stock Code

Stock Exchange	388
Access to Reuters	0388.HK
Access to Bloomberg	388 HK Equity
WPK Number	A0J3E8
SEDOL	6267359
ISIN	HK0388034859
COMMON	025967712

Board lot

500 shares

Price and Turnover History

Year	Price per share		Turnover (in millions)	
	High (\$)	Low (\$)	(Shares)	(\$)
2006				
July	51.65	47.80	111.14	5,513.12
August	55.80	49.60	148.28	7,809.85
September	59.10	52.50	139.63	7,782.02
October	64.95	56.20	164.13	9,874.65
November	70.95	61.30	144.91	9,611.33
December	85.60	67.05	97.27	7,217.73
2007				
January	93.50	79.90	156.43	13,477.29
February	90.45	79.10	101.01	8,590.90
March	80.60	68.85	226.57	17,045.21
April	82.20	74.70	103.39	8,123.10
May	90.50	74.20	192.63	16,219.05
June	111.00	87.30	170.74	16,929.17

Market Capitalisation

Public Float Capitalisation as at 30 June 2007 \$118.1 billion
(Issued capital: 1,068,959,346 shares; closing price at 29 June 2007 (the last trading date for the six months ended 30 June 2007): \$110.50 per share)

GLOSSARY

2007 AGM	Annual general meeting held on 26 April 2007
AMS/3	The Third Generation Automatic Order Matching and Execution System
Awarded Shares	Shares awarded under the Share Award Scheme
Board	Board of HKEx
CBBC(s)	Callable Bull/Bear Contract(s)
CCASS	The Central Clearing and Settlement System
CCASS/3	The Latest Generation of Central Clearing and Settlement System
CG Code	Code on Corporate Governance Practices as set out in the Listing Rules
CHIS	Computershare Hong Kong Investor Services Limited
CNS	Continuous Net Settlement
DCASS	The Derivatives Clearing and Settlement System
Director(s)	Director(s) of HKEx
EDP	Electronic Disclosure Project
EP(s) or Participant(s)	Exchange Participant(s)
ETF(s)	Exchange Traded Fund(s)
Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Financial Secretary	Financial Secretary of the Government of the HKSAR
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
GBS	Gold Bauhinia Star
GEM	The Growth Enterprise Market
Government	The Government of the HKSAR of the People's Republic of China
Government Appointed Directors	Directors appointed by the Financial Secretary pursuant to Section 77 of the SFO
Group	HKEx and its subsidiaries
HKATS	The Hong Kong Futures Automated Trading System
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKSAR	Hong Kong Special Administrative Region
HKSCC	Hong Kong Securities Clearing Company Limited
H-shares Index	Hang Seng China Enterprises Index
HSI	Hang Seng Index
IIS	Issuer Information Feed Service System
IP(s)	Investor Participant(s)
IPO(s)	Initial Public Offering(s)
ISI(s)	Investor SI(s)
JP	Justice of the Peace
Listing Rules	Main Board Listing Rules and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MDF	Market Datafeed
MH	Medal of Honour
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules
MOU	Memorandum of Understanding
Post-Listing Scheme	Post-Listing Share Option Scheme approved by the Shareholders on 31 May 2000 which was subsequently amended by the Shareholders on 17 April 2002
Pre-Listing Scheme	Pre-Listing Share Option Scheme approved by the Shareholders on 31 May 2000
QDII	Qualified Domestic Institutional Investor
REIT(s)	Real Estate Investment Trust(s)
ROM	Register of Members
SBS	Silver Bauhinia Star
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
Shareholders	Shareholders of HKEx
Share Award Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended by the Board on 16 August 2006
Share Option Schemes	Pre-Listing Scheme and Post-Listing Scheme
SI(s)	Settlement Instruction(s)
SSA(s)	Stock Segregated Account(s)
USD	US Dollar
\$/HKD	Hong Kong Dollar

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