Hong Kong Exchanges and Clearing Limited
香港交易及結算所有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 388)

(Financial figures in this announcement are expressed in Hong Kong Dollar ("HKD"))

2010 INTERIM RESULTS

The board of directors ("Board") of Hong Kong Exchanges and Clearing Limited ("Company" or "HKEx") submits the unaudited consolidated results of HKEx and its subsidiaries ("Group") for the six months ended 30 June 2010 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 Jun 2010	Six months ended 30 Jun 2009	Change	**Three months ended 30 Jun 2010**	Three months ended 30 Jun 2009	Change
KEY MARKET STATISTICS						
Average daily turnover value on the Stock Exchange ($bn)	**63.8**	58.3	9%	**62.9**	71.7	(12%)
Average daily number of derivatives contracts traded on the Futures Exchange	**217,639**	213,630	2%	**223,654**	231,464	(3%)
Average daily number of stock options contracts traded on the Stock Exchange	**221,512**	206,084	7%	**237,708**	217,696	9%

	Six months ended 30 Jun 2010 $m	As restated Six months ended 30 Jun 2009 $m	Change	**Three months ended 30 Jun 2010 $m**	As restated Three months ended 30 Jun 2009 $m	Change
RESULTS						
Revenue and other income	**3,454**	3,339	3%	**1,740**	1,998	(13%)
Operating expenses	**776**	760	2%	**391**	406	(4%)
Profit before taxation	**2,678**	2,579	4%	**1,349**	1,592	(15%)
Taxation	**(420)**	(392)	7%	**(218)**	(239)	(9%)
Profit attributable to shareholders	**2,258**	2,187	3%	**1,131**	1,353	(16%)
Basic earnings per share	**$2.10**	$2.04	3%	**$1.05**	$1.26	(17%)
Diluted earnings per share	**$2.09**	$2.03	3%	**$1.05**	$1.25	(16%)
Interim dividend per share	**$1.89**	$1.84	3%	**$1.89**	$1.84	3%
Dividend payout ratio	**90%**	90%	N/A	**N/A**	N/A	N/A

	At 30 Jun 2010	At 31 Dec 2009	Change
KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Shareholders' funds ($m)	**7,998**	8,027	(0%)
Total assets [1] ($m)	**43,188**	45,332	(5%)
Net assets per share [2] ($)	**7.43**	7.46	(0%)

Notes:

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

2 Based on 1,076,515,853 shares as at 30 June 2010, being 1,077,915,346 shares issued and fully paid less 1,399,493 shares held for the Share Award Scheme (31 December 2009: 1,075,514,581 shares, being 1,076,190,346 shares issued and fully paid less 675,765 shares held for the Share Award Scheme)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing

New Listing Rules for Mineral Companies

On 20 May 2010, HKEx published Consultation Conclusions on New Listing Rules for Mineral Companies. The new Rules, which came into effect on 3 June 2010, aim to align the Rules of The Stock Exchange of Hong Kong Limited ("Exchange" or "Stock Exchange" or "SEHK") with global standards and to ensure that mineral companies listed in Hong Kong provide investors with material, relevant and reliable information.

Changes to Connected Transaction Rules and Requirements for Issuers' Circulars and Listing Documents

Under the consultation conclusions published on 20 May 2010, the Exchange has amended 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 (collectively, "Listing Rules") on connected transactions and the requirements for circulars and listing documents to remove specific requirements that were burdensome, restrictive or having unintended effects. The amendments became effective on 3 June 2010.

Review of Other Proposals

The Exchange is reviewing the responses to the two other consultations conducted in 2009, namely: (i) the issue of paper application forms with electronic listing documents; and (ii) acceptance of Mainland accounting and auditing standards and Mainland audit firms for Mainland incorporated companies listed in Hong Kong. Meanwhile, the Exchange is reviewing the property valuation requirements of the Listing Rules. A market consultation on the proposed changes will be conducted in due course.

Enhancement of Continuing Disclosure Regime

HKEx welcomes the publication of the Government of the Hong Kong Special Administrative Region ("Hong Kong Government") of the Consultation Paper on the Proposed Statutory Codification of Certain Requirements to Disclose Price Sensitive Information by Listed Corporations. The consultation period ended on 28 June 2010.

Cash Market

Market Performance

In the first six months of 2010, 28 (including 2 that transferred from the Growth Enterprise Market ("GEM")) and 2 companies were newly listed on the Main Board and GEM respectively, and 3 Main Board and 2 GEM companies were delisted. Total capital raised reached $168.0 billion (including funds raised through initial public offerings ("IPOs") of $50.4 billion). As at 30 June 2010, 1,170 and 174 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about $17,131.1 billion. In addition, there were 4,114 Derivative Warrants ("DWs"), 1,020 Callable Bull/Bear Contracts ("CBBCs"), 8 Real Estate Investment Trusts ("REITs"), 62 Exchange Traded Funds ("ETFs") and 158 debt securities listed as at 30 June 2010. The average daily turnover in the first six months of 2010 was about $63.2 billion on the Main Board and about $0.6 billion on GEM.

Number of Listed Companies by Industry Classification * – Main Board and GEM

	As at 30 Jun 2010	As at 31 Mar 2010	As at 30 Jun 2009	Change Mar 2010	Change Jun 2009
Energy	**47**	47	36	0%	31%
Materials	**111**	109	99	2%	12%
Industrial Goods	**112**	111	113	1%	(1%)
Consumer Goods	**338**	333	328	2%	3%
Services	**209**	211	197	(1%)	6%
Telecommunications	**18**	18	17	0%	6%
Utilities	**32**	32	26	0%	23%
Financials	**103**	101	99	2%	4%
Properties & Construction	**194**	192	178	1%	9%
Information Technology ("IT")	**157**	155	158	1%	(1%)
Conglomerates	**23**	23	22	0%	5%
Total	**1,344**	1,332	1,273	1%	6%

* According to Hang Seng Indexes Company Limited ("HSIL")

Market Capitalisation of Listed Companies by Industry Classification * – Main Board and GEM

	As at 30 Jun 2010 ($bn)	As at 31 Mar 2010 ($bn)	As at 30 Jun 2009 ($bn)	Change Mar 2010	Change Jun 2009
Energy	**1,283.9**	1,329.6	1,010.9	(3%)	27%
Materials	**495.3**	581.7	383.6	(15%)	29%
Industrial Goods	**259.3**	294.7	210.9	(12%)	23%
Consumer Goods	**1,760.2**	1,822.3	1,055.7	(3%)	67%
Services	**1,306.1**	1,366.3	842.8	(4%)	55%
Telecommunications	**1,925.2**	1,823.7	1,905.3	6%	1%
Utilities	**653.8**	661.6	516.7	(1%)	27%
Financials	**5,655.2**	5,874.8	4,931.6	(4%)	15%
Properties & Construction	**2,195.6**	2,454.4	2,009.0	(11%)	9%
IT	**732.7**	881.2	485.6	(17%)	51%
Conglomerates	**863.9**	965.4	795.5	(11%)	9%
Total	**17,131.1**	18,055.6	14,147.6	(5%)	21%

* According to HSIL
Note: Figures have been rounded and may not add up to the total.

Number of Listed Securities – Main Board and GEM

	As at 30 Jun 2010	As at 31 Mar 2010	As at 30 Jun 2009	Change Mar 2010	Change Jun 2009
Ordinary Shares	**1,345**	1,333	1,274	1%	6%
Preference Shares	**2**	2	2	0%	0%
Warrants	**4,140**	3,995	2,757	4%	50%
Equity Warrants	**26**	21	31	24%	(16%)
DWs	**4,114**	3,974	2,726	4%	51%
CBBCs	**1,020**	1,331	1,620	(23%)	(37%)
Unit Trusts	**72**	70	39	3%	85%
ETFs	**62**	61	30	2%	107%
REITs	**8**	7	7	14%	14%
Others	**2**	2	2	0%	0%
Debt Securities	**158**	160	167	(1%)	(5%)
Total	**6,737**	6,891	5,859	(2%)	15%

Market Value by Type of Securities – Main Board and GEM

	As at 30 Jun 2010 ($bn)	As at 31 Mar 2010 ($bn)	As at 30 Jun 2009 ($bn)	Change Mar 2010	Change Jun 2009
Equities	**17,131.1**	18,055.6	14,147.6	(5%)	21%
Warrants	**88.3**	107.4	210.0	(18%)	(58%)
Equity Warrants	**1.7**	1.2	1.0	42%	70%
DWs	**86.6**	106.2	209.0	(18%)	(59%)
CBBCs	**43.1**	60.7	154.0	(29%)	(72%)
Unit Trusts	**669.8**	581.4	464.5	15%	44%
ETFs	**584.4**	501.8	403.2	16%	45%
REITs	**82.8**	76.6	58.9	8%	41%
Others	**2.6**	2.9	2.4	(10%)	8%
Debt Securities *	**426.3**	410.8	395.7	4%	8%
Total	**18,358.6**	19,215.9	15,371.8	(4%)	19%

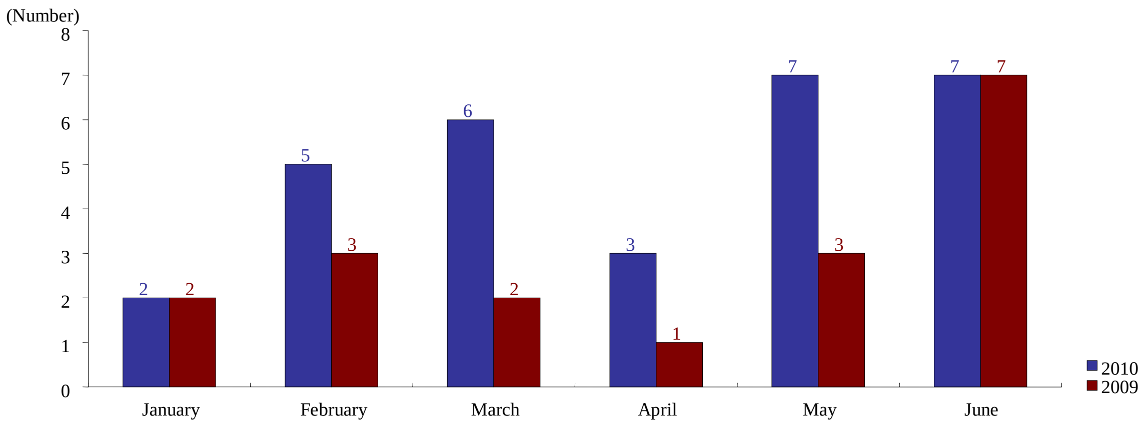
* Nominal value
Note: Figures have been rounded and may not add up to the sub-total or the total.

Turnover Value by Type of Securities – Main Board and GEM

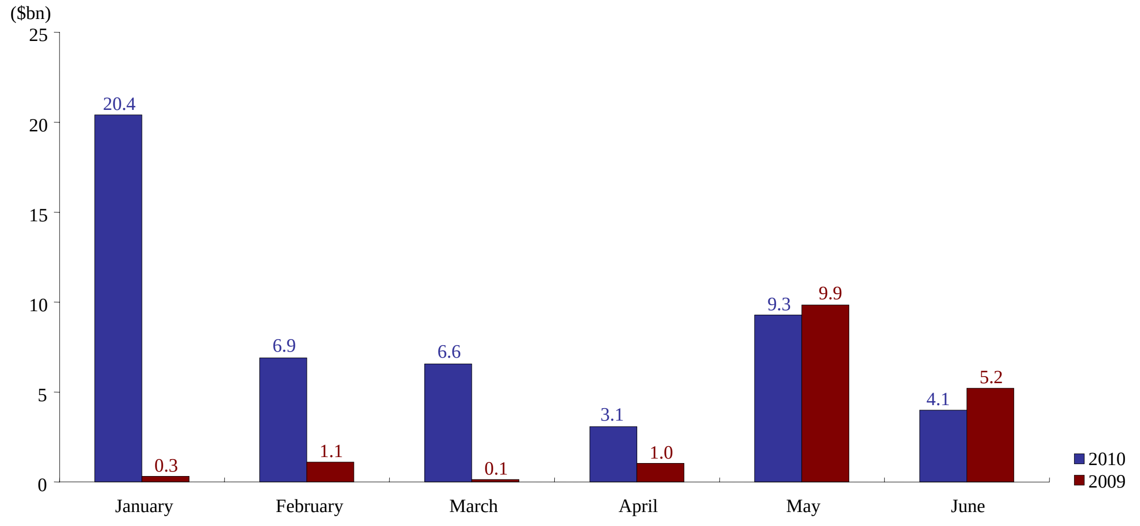
	Six months ended 30 Jun 2010 ($bn)	Six months ended 30 Jun 2009 ($bn)	Change
Equities	**5,741.7**	5,274.1	9%
Warrants	**1,127.3**	727.6	55%
Equity Warrants	**0.5**	0.2	150%
DWs	**1,126.7**	727.4	55%
CBBCs	**589.8**	822.3	(28%)
Unit Trusts	**265.1**	232.1	14%
ETFs	**244.7**	209.9	17%
REITs	**20.0**	21.8	(8%)
Others	**0.3**	0.5	(40%)
Total *	**7,723.8**	7,056.0	9%

* Figures include turnover value of debt securities (six months ended 30 June 2010 and 30 June 2009: approximately $1 million and $3 million respectively).
Note: Figures have been rounded and may not add up to the sub-total or the total.

Newly Listed Companies – Main Board and GEM

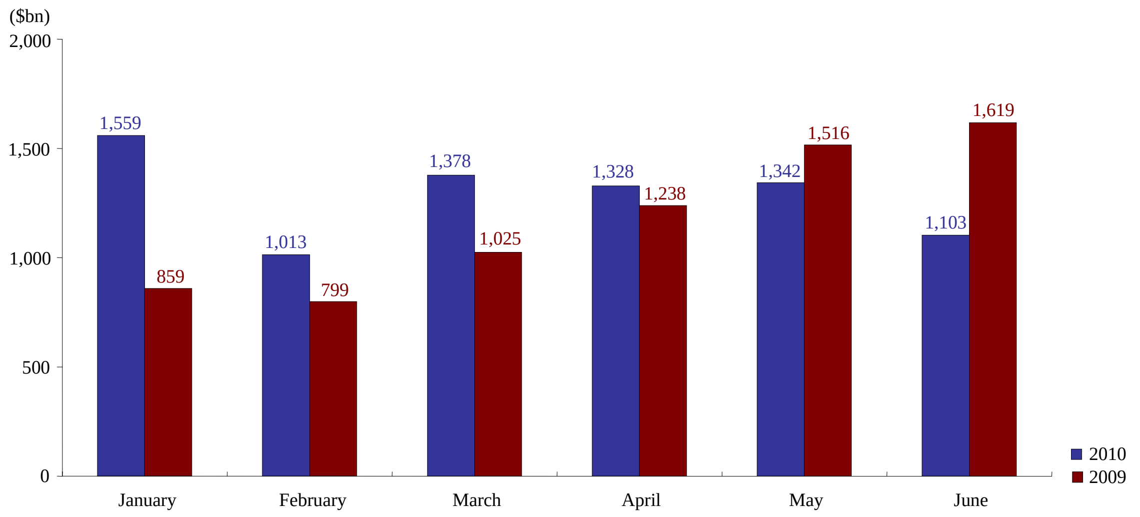


IPO Funds Raised by Newly Listed Companies – Main Board and GEM



Note: Figures have been rounded.

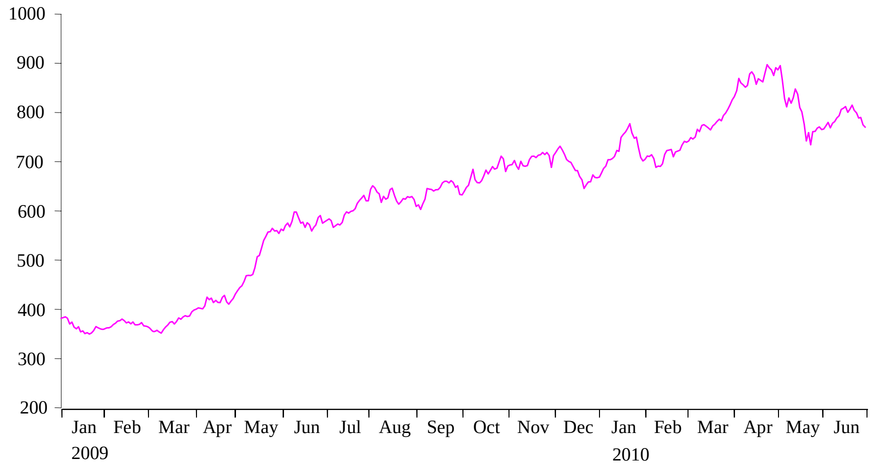
Turnover Value – Main Board and GEM



Note: Figures have been rounded.

Hang Seng Index ("HSI") and S&P/HKEx LargeCap Index (January 2009 – June 2010)

S&P/HKEx GEM Index (January 2009 – June 2010)



Automation of Stamp Duty Reporting and Payment

The automation of stamp duty reporting and payment project is aimed at streamlining the operations of Exchange Participants (“EPs” or “Participants”) as well as reducing paper consumption. It is scheduled to be implemented in September this year subject to market readiness.

ETF Market Development

During the period under review, a total of 19 ETFs (13 tracking Mainland A-share indexes and 6 tracking overseas equity indexes) were newly listed. With these new listings, the total number of ETFs listed on the Exchange increased by 44 per cent from the end of last year to 62, including 21 ETFs on Mainland A-share indexes.

With the active development of the ETF market in Hong Kong, SEHK and the HKEx website were awarded the Most Proactive Exchange for ETF Derivatives/Options (Asia-Pacific) and the Most Informative ETF Website (Asia-Pacific) respectively in the 6th Annual ETF Global Awards organised by Exchangetradedfunds.com, an online information provider of ETFs, aiming to recognise outstanding achievements in 2009 by ETF industry participants.

Derivatives Market

Market Performance

In the first half of 2010, the total number of futures and options contracts traded amounted to 53,137,284, about an 11 per cent increase from the second half of last year. On 30 June 2010, the open interest for all futures and options was 5,665,205 contracts, up 32 per cent from the end of 2009.

Record High Daily Volume and Open Interest Achieved in the First Half of 2010

	Daily Volume		Open Interest	
Products	**Date**	**Number of contracts**	**Date**	**Number of contracts**
Mini Hang Seng China Enterprises Index (“H-shares Index” or “HSCEI”) Futures	27 May	7,914	25 May	2,253
Mini-HSI Options	N/A	N/A	28 Jun	11,147
Flexible H-shares Index Options	10 Feb	200	25 Feb	200

Average Daily Volume of Major Derivatives Products

Contracts	**Six months ended 30 Jun 2010**	Three months ended 31 Mar 2010	Six months ended 30 Jun 2009	Change Mar 2010	Change Jun 2009
HSI Futures	**84,001**	84,138	87,788	(0%)	(4%)
HSI Options	**30,981**	29,731	19,334	4%	60%
Mini-HSI Futures	**34,724**	34,703	38,721	0%	(10%)
Mini-HSI Options	**1,595**	1,453	1,105	10%	44%
H-shares Index Futures	**51,147**	48,617	55,068	5%	(7%)
H-shares Index Options	**10,946**	9,441	7,460	16%	47%
Mini H-shares Index Futures	**3,619**	2,989	2,944	21%	23%
Stock Futures	**597**	621	1,166	(4%)	(49%)
Stock Options	**221,512**	205,581	206,084	8%	7%
3-Month HIBOR Futures	**5**	6	17	(17%)	(71%)
1-Month HIBOR Futures	**0**	0	1	N/A	(100%)
Gold Futures	**21**	19	26	11%	(19%)
Flexible H-shares Index Options *	**4**	10	N/A	(60%)	N/A
Market Total	**439,151**	417,305	419,714	5%	5%

* Launched on 8 February 2010

Open Interest of Major Derivatives Products

Contracts	**As at 30 Jun 2010**	As at 31 Mar 2010	As at 30 Jun 2009	Change Mar 2010	Change Jun 2009
HSI Futures	**77,070**	73,577	79,772	5%	(3%)
HSI Options	**202,453**	208,189	182,288	(3%)	11%
Mini-HSI Futures	**7,602**	4,956	5,914	53%	29%
Mini-HSI Options	**4,525**	3,751	4,378	21%	3%
H-shares Index Futures	**89,089**	87,444	71,607	2%	24%
H-shares Index Options	**112,929**	124,858	114,324	(10%)	(1%)
Mini H-shares Index Futures	**1,399**	1,268	623	10%	125%
Stock Futures	**5,822**	7,516	14,806	(23%)	(61%)
Stock Options	**5,163,995**	4,352,404	3,847,782	19%	34%
3-Month HIBOR Futures	**155**	219	550	(29%)	(72%)
1-Month HIBOR Futures	**0**	0	35	N/A	(100%)
Gold Futures	**166**	40	16	315%	938%
Flexible H-shares Index Options *	**0**	0	N/A	N/A	N/A
Market Total	**5,665,205**	4,864,222	4,322,095	16%	31%

* Launched on 8 February 2010

Launch of Flexible Index Options

Upon the launch of Flexible Index Options on 8 February 2010, EPs can request HKEx to introduce bilaterally customised strike prices and expiry months in HSI options and H-shares Index options for block trading, subject to a minimum volume threshold of 100 contracts. The attraction of mitigating counterparty risk through central clearing and clearing house guarantee allows HKEx to expand its services to the Over-the-Counter ("OTC") market.

Greater Flexibility for Block Trade Execution

The Block Trade Facility enables institutional investors to book privately negotiated large-sized trades in futures and options contracts to the exchange-traded platform and to make use of HKEx's clearing services. Since 24 May 2010, the pre-defined permissible price range for block trades has been relaxed to provide greater flexibility for block trade execution.

More Choice for Investors in Stock Options Market

From 1 June 2010 onwards, investors have more choice in stock options trading as a result of the following changes: (i) the narrower Strike Interval Group B (the intervals under which are in general one-half of the intervals of those under Strike Interval Group A) has been applied to all stock option classes; and (ii) all of the stock option classes have the third quarter expiry month for trading which allows a longer maturity up to 9 months to 1 year. These arrangements increased the number of strike series in the stock options market by about 50 per cent and will apply to new stock option classes to be introduced in future.

Introduction of Options on A-Share Related ETFs

On 12 July 2010, HKEx introduced Options on the iShares FTSE/Xinhua A50 China Index ETF ("A50 ETF") and Options on the WISE CSI 300 China Tracker ("CSI 300 ETF") for trading. Their introduction supplements the trading of the underlying ETFs and provides trading and hedging instruments for the market to manage their related A-share exposure. As of the end of June 2010, the market capitalisations of the A50 ETF and CSI 300 ETF were about $50 billion and $5 billion respectively, representing the largest market capitalisation among A-share ETFs listed on SEHK. Their average daily turnovers were about $1.3 billion and $60 million respectively in the first half of 2010. With the launch of these two options, the number of stock options available for trading increased to 53 as at 12 July 2010.

Study of Dividend Point Indexes Futures

With the introduction of the Dividend Point Index Series, which comprises the HSI Dividend Point Index and the HSCEI Dividend Point Index, by HSIL, HKEx is collaborating with HSIL on a study to introduce futures contracts based on the two dividend point indexes, with the aim of providing institutional investors with instruments to hedge the dividend risks implied in index-linked products.

Clearing

Central Clearing and Settlement System ("CCASS") Statistics (six months ended 30 June)

	2010	2009	Change
Average daily Exchange Trades handled by CCASS			
– Number of trades	**760,282**	674,097	13%
– Value of trades ($bn)	**63.8**	58.3	9%
– Share quantity involved (bn)	**124.4**	92.5	34%
Average daily Settlement Instructions ("SIs") handled by CCASS			
– Number of SIs	**76,843**	65,154	18%
– Value of SIs ($bn)	**173.5**	155.6	12%
– Share quantity involved (bn)	**43.6**	40.1	9%
Average daily Investor SIs ("ISIs") handled by CCASS			
– Number of ISIs	**542**	521	4%
– Value of ISIs ($m)	**214.0**	159.0	35%
– Share quantity involved (mil)	**116.6**	97.0	20%
Average daily settlement efficiency of Continuous Net Settlement ("CNS") stock positions on due day (T+2)	**99.87%**	99.84%	N/A
Average daily settlement efficiency of CNS stock positions on the day following the due day (T+3)	**99.99%**	99.99%	N/A
Average daily buy-ins executed on T+3			
– Number of brokers involved	**7**	8	(13%)
– Number of buy-ins	**9**	9	0%
– Value of buy-ins ($m)	**3.4**	3.8	(11%)
Shares deposited in the CCASS depository			
– Number of shares (bn)	**3,409.7**	3,215.4	6%
– Percentage of the total issued shares of the admitted securities	**71.10%**	71.72%	N/A
– Value of shares ($bn)	**8,904.8**	7,306.9	22%
– Percentage of the total market capitalisation of the admitted securities	**48.93%**	48.24%	N/A

New Corporate Communications Arrangement

Effective 4 January 2010, listed issuers can send to their non-registered shareholders, whose shares are held in CCASS, a notification of the publication of corporate communications on their websites together with a request form for a hard copy instead of sending them the printed corporate communications.

Derivatives Clearing and Settlement System ("DCASS") Service Enhancement

The enhanced DCASS, effective 22 March 2010, can allow Clearing Participants to use the Microsoft SQL Server software as an additional option to improve the data storage capacity.

Expansion of Custody and Nominee Services to OTC Structured Products

In order to provide a lower cost option to issuers of structured products from the OTC market and to facilitate more efficient settlement of the underlying Hong Kong-listed securities upon expiry, Hong Kong Securities Clearing Company Limited ("HKSCC") will admit OTC structured products (including but not limited to equity linked investments, or ELIs, and equity linked notes, or ELNs) that are authorised by the Securities and Futures Commission ("SFC") and meet the CCASS admission criteria with effect from 26 April 2010.

T+2 Finality for Stock Exchange Trades

In response to market comments, certain aspects of the proposed T+2 finality arrangement are being modified. The revised arrangement and consultation conclusions will be published in the third quarter of 2010.

Scripless Securities Market

A total of 45 responses to the market consultation on the proposed operation model for implementing a scripless securities market in Hong Kong were received. The Working Group (which includes the SFC and the Federation of Share Registrars Limited) is analysing the submissions and addressing the comments. The consultation conclusions are planned to be published in the third quarter of 2010.

Participant Services

Non-transferability of Trading Rights

Pursuant to the Scheme Document of the merger of the Stock Exchange and Hong Kong Futures Exchange Limited ("Futures Exchange or HKFE") and their clearing houses, all Trading Rights ("TRs") conferred on the then shareholders of the two Exchanges became non-transferable after 5 March 2010. New TRs issued after the merger are non-transferable at all times, and each TR is now issued at a fee of $500,000. To fulfil the participantship requirement, every SEHK Participant or HKFE Participant is required to hold at least 1 TR in the respective Exchange.

Participant Training and Market Education

During the period under review, a total of 26 courses were organised for over 400 participants from our EPs to familiarise them with the operation of our trading devices and clearing systems and the relevant rules and procedures. In addition, HKEx conducted 24 EP briefing sessions and 1 seminar on derivatives products for over 1,500 attendees.

Since March 2010, HKEx has, together with sponsor EPs, launched an 8-week programme which included radio interviews, workshops, advertorials and a 1-day investment expo to raise market awareness and increase retail participation in futures and options.

EP Recruitment

During the first half of this year, 8 SEHK Participants and 6 HKFE Participants from the Mainland and overseas such as Japan, the United Kingdom and the United States were newly admitted.

Number of Trading Right Holders (as at the end of June 2010)

	SEHK		HKFE	
	Trading right holders	Trading rights held	Trading right holders	Trading rights held
EPs	501	924	171	194
Trading	471	891	171	194
Non-trading	30	33	0	0
Non-EPs	22	22	43	45
Total	523	946	214	239

Number of CCASS Participants (as at the end of June 2010)

	HKSCC
Clearing Agency Participant	1
Custodian Participants	35
Direct Clearing Participants	455
General Clearing Participants	7
Investor Participants	22,441
Stock Lender Participant	0
Stock Pledgee Participants	5
Total	22,944

Market Data

Dissemination of Three China Securities Index Company Limited ("CSIC") Indexes

On 24 May 2010, HKEx Information Services Limited and CSIC, a joint venture between the Shanghai Stock Exchange and the Shenzhen Stock Exchange ("SZSE"), signed an Index Distribution Agreement for the distribution of CSIC Indexes via the HKEx market data platform.

Since 5 July 2010, 3 CSIC Indexes, namely CSI 300 Index ("CSI 300"), CSI Hong Kong 100 Index ("CSI 100") and CSI Cross-Straits 500 Index ("CSI 500"), have been disseminated through the HKEx Market Datafeed system. HKEx-licensed real-time Market Datafeed Information Vendors ("IVs") may redistribute the CSI 100 and CSI 500 to their customers free of charge. The redistribution of CSI 300 will be subject to prior written approval from CSIC or its designated agent, China Investment Information Services Limited. The CSI 300 is also displayed on the HKEx website together with the HSI, H-shares Index, S&P/HKEx LargeCap Index and S&P/HKEx GEM Index.

Real-time Market Data Marketing Programme in Mainland

To promote the HKEx market data in the Mainland, HKEx introduced a marketing programme for television distribution of real-time market data in the Mainland on 1 April 2010. Since then, 2 Mainland television licences have been granted under this programme and the first Mainland television programme with real-time HKEx market data will be launched in the second half of 2010.

HKEx Market Data Collaboration Programme with SZSE

Under the Mainland Market Data Collaboration Programme between HKEx and SZSE, which commenced on 1 May 2010, both parties are allowed to redistribute the other party's basic real-time market data of companies dual-listed on the two markets to their authorised IVs for onward transmission to their subscribers. As at the end of June 2010, a total of 8 HKEx IVs and 4 SZSE IVs participated in the programme.

Risk Management

Enhancements to Holiday Margin Arrangements

The holiday margin is designed to help mitigate the potential cumulative market risks arising from movements of overseas markets which are open when Hong Kong markets are closed. The holiday margin arrangements of HKFE Clearing Corporation Limited ("HKCC") and The SEHK Options Clearing House Limited ("SEOCH") were revised effective 29 March 2010 to deliver margining-related benefits to the market without compromising the adequacy of the risk management protection of the derivatives clearing houses.

Enhanced Process for Provision of Financial Return Information

In April 2010, an enhanced process which shortens the time required for the provision of market participants' financial return information by the SFC to HKEx was implemented, which enables timely assessment of market participants' financial information for risk management and compliance purposes.

Market Surveillance

Under the Memorandum of Understanding between the SFC and HKEx on matters relating to market surveillance, HKEx refers to the SFC from time to time suspected violations of Hong Kong laws, the SFC codes, as well as rules and/or regulations relating to HKEx's Cash and Derivatives Markets. The SFC might make criminal prosecutions and/or take disciplinary actions against licensed persons in respect of market misconduct matters. During the six months ended 30 June 2010, 10 cases involving possible violations were referred.

Information Technology

Production System Stability and Reliability

During the first half of 2010, all major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets operated by HKEx continued to perform robustly and reliably. HKEx is committed to devoting its best effort and resources to uphold production system reliability, availability and stability.

System Capacity Planning and Upgrade

HKEx works proactively to ensure IT system capacity readiness to support new business expansion opportunities and achieve sustainable competitiveness.

For the Cash Market, the Automatic Order Matching and Execution System/Third Generation ("AMS/3") technical revamp was successfully implemented on 18 January 2010 to double the system throughput to 3,000 orders per second. HKEx is conducting a major software redevelopment and a hardware upgrade exercise for AMS/3 and Market Datafeed System to further improve the system capacity by 10 times to 30,000 orders per second and reduce the average order processing latency to 9 milliseconds. The enhancement is scheduled for completion by the end of 2011.

The capacity and technology for the Hong Kong Futures Automated Trading System ("HKATS"), DCASS, Price Reporting System and their satellite applications of the Derivatives Market are also being upgraded.

Obsolete Technology Replacement and Upgrade

The replacement and upgrade of the to-be-obsolete CCASS Investor Participant Internet and the CCASS middle-tier servers were completed on 12 July 2010 to ensure the system's continued reliability, availability and serviceability.

The upgrade of the corporate system platform, including the e-mail system, in line with Microsoft product lifecycle is scheduled for the second half of 2010.

System Consolidation and Operational Efficiency

HKEx has implemented an enterprise risk management ("ERM") software tool to support and facilitate the ERM framework execution as well as related methodology and processes. Enhancements for CCASS were rolled out on 12 July 2010 as part of the ongoing functional and operational efficiency improvements.

On 14 March 2010, we launched a revamped corporate website www.hkex.com.hk which provides a new look and streamlined navigation. To improve the efficiency and environmental friendliness of our daily operations, HKEx will automate stamp duty reporting and payment in the second half of 2010.

Internally, an e-Salary record system will be launched to streamline the related workflow and reduce paper consumption.

Independent Review of Cash and Derivatives Market Systems

The independent review of the core application systems (including trading, clearing and settlement, and market data dissemination systems) serving the Derivatives Market completed in April 2010 re-affirmed that the core Derivatives Market systems are well managed and operated with a high standard of compliance to international best practices. The independent review of CCASS will commence in the second half of this year.

HKEx Data Centre and IT Office Consolidation

In February 2010, HKEx accepted the offer of a land site in Tseung Kwan O Industrial Estate at a land premium of about $26 million to build the next generation data centre ("NGDC"). Planning and development works began immediately after taking possession of the land site on 1 June 2010. The NGDC is scheduled for completion in 2013.

The NGDC will be equipped with modernised facilities and infrastructure to host the existing Cash Market primary data centre, two other data centres and the IT development and supporting staff. Preliminary costs, including the land premium, construction costs for a floor area of approximately 13,000 square metres, critical facilities, office fittings, relocation and technology upgrades were initially estimated at $700 million. Further study is currently being undertaken to explore expansion of the data centre to its maximum allowable plot ratio which will translate into approximately 31,000 square metres with further facilities upgrades that will accommodate HKEx's new strategic business initiatives such as co-location and hosting services.

Market Development

Promotion of Listing in Hong Kong

During the period under review, we focused our efforts to promote the Exchange to natural resource companies. In March 2010, HKEx for the first time hosted a seminar on listing in Hong Kong at the Prospectors and Developers Association of Canada Convention 2010 held in Toronto, one of the most prominent mining industry annual events in the world, and invited Professor K C Chan, the Secretary for Financial Services and the Treasury of the Hong Kong Government as the speaker. The event enabled us to meet with the representatives of natural resource companies interested in listing on the Exchange.

In May and June 2010, HKEx's Chairman and executives visited Russia and Mongolia to introduce the new rules for the listing of mineral companies in Hong Kong and our goal to build a leading exchange for the listing of natural resource companies with a nexus to Asia.

In Hong Kong, we participated in the Mines and Money Hong Kong Conference held in March 2010, which was recognised as an important mining industry event in Asia and attended by miners from all over the world. In April 2010, we held a conference at the Exchange Auditorium for a delegation of senior officials led by the Prime Minister of Mongolia, Sükhbaataryn Batbold, on Hong Kong's role in raising funds for mineral enterprises in the Central Asian Republic.

Meanwhile, our marketing activities in Malaysia, South Korea and Vietnam to promote HKEx as a premier international capital market for regional companies continued. In the Mainland, we visited 13 Mainland provinces and municipals to meet with government officials and potential companies and familiarise them with listing in Hong Kong.

Major Promotional Activities Co-organised by HKEx in the First Half of 2010

Date	Location	Event / Joint organiser(s)	Number of attendees
26 Jan	Zhengzhou, Henan	Listing in Hong Kong Workshop in Zhengzhou / Zhengzhou Development and Reform Commission	250
8 Mar	Toronto, Canada	Seminar on Listing and Capital Raising in Hong Kong for Mining and Natural Resources Companies / Hong Kong Economic and Trade Office in Toronto, Hong Kong Trade Development Council and Invest Hong Kong	180
25 Mar	Hong Kong	Listing in Hong Kong Seminar / Hebei Financial Services Office	80
30 Mar	Hong Kong	Special Session at Mines and Money Hong Kong 2010 / Beacon Events	150
12 Apr	Hong Kong	Forum on Listing of Mongolian Enterprises / Foreign Investment and Foreign Trade Agency of Mongolia	250
27 Apr	Changsha, Hunan	Seminar on Listing and Fund Raising in Hong Kong for Hunan Enterprises / Financial Affairs Office of Hunan Provincial Government	210
12 May	Hong Kong	Listing in Hong Kong for Shandong Enterprises Seminar / Financial Services Office of Shandong Province, Department of Foreign Trade and Economic Cooperation of Shandong Province and Hong Kong Trade Development Council	180
20 May	Shenyang, Liaoning	Listing and Fund Raising in Hong Kong Conference / The Financial Office of Liaoning Province	130
8 Jun	Hong Kong	Listing in Hong Kong Seminar / Nantong Municipal People's Government	100

Promotion of HKEx's Markets

During the period under review, our Chairman and Chief Executive attended various large-scale conferences held in Hong Kong, the Mainland and overseas to promote HKEx and its markets, including the Asian Financial Forum, the Russia Forum 2010, the Russia-Capital Raising and Investment Summit, the Lujiazui Forum 2010 and the HKEx Investment Seminar 2010.

On 21 July 2010, HKEx, together with the Financial Services and the Treasury Bureau of the Hong Kong Government and Invest Hong Kong, organised a high-level finance forum – "Stronger Links, Stronger Markets: Hong Kong, the Mainland and the World" in Shanghai. The participants discussed important issues related to the nation's ongoing opening up, continuing development and internationalisation of its financial markets. Speakers included key political and business leaders from Hong Kong, the Mainland and overseas, as well as senior representatives of major international financial institutions. The forum was attended by more than 370 participants.

Overseas and Retail Investor Participation in HKEx's Securities Market

In March 2010, HKEx published the Cash Market Transaction Survey 2008/09 and the Retail Investor Survey 2009. The surveys showed the contribution of overseas investors to the total securities market turnover value remained at the relatively high level of more than 40 per cent for the fourth consecutive year, and the participation of local retail investors remained high at 35 per cent of the Hong Kong adult population; retail investors were generally positive about the various operational aspects of the HKEx securities and derivatives markets. The two reports are available on the HKEx website. We will keep track of the trends and characteristics of investors' participation in and perceptions of the HKEx markets for product and service improvements and to ensure our continuing competitiveness.

Treasury

The Group's funds available for investment comprise Corporate Funds, cash collateral, Margin Funds and Clearing House Funds, totalling $37.2 billion on average for the six months ended 30 June 2010 (first half of 2009: $42.8 billion).

As compared with 31 March 2010, the overall size of funds available for investment as at 30 June 2010 decreased by 5 per cent or $1.6 billion to $33.3 billion (31 March 2010: $34.9 billion). Details of the asset allocation of the investments as at 30 June 2010 against those as at 31 March 2010 are set out below.

	Investment Fund Size $bn		**Bonds ***		**Cash or Bank Deposits ***		**Global Equities**	
	Jun	Mar	**Jun**	Mar	**Jun**	Mar	**Jun**	Mar
Corporate Funds	**8.7**	9.7	**60%**	56%	**37%**	41%	**3%**	3%
Cash collateral	**3.7**	4.4	**0%**	0%	**100%**	100%	**0%**	0%
Margin Funds	**18.7**	18.9	**31%**	31%	**69%**	69%	**0%**	0%
Clearing House Funds	**2.2**	1.9	**19%**	22%	**81%**	78%	**0%**	0%
Total	**33.3**	34.9	**34%**	34%	**65%**	65%	**1%**	1%

* Included certain principal-guaranteed structured notes and principal-guaranteed structured deposits

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the cash collateral, Clearing House Funds and Margin Funds. Excluding equities and mutual funds held under the Corporate Funds ($0.2 billion as at 30 June 2010 and $0.3 billion as at 31 March 2010), which have no maturity date, the maturity profiles of the remaining investments as at 30 June 2010 ($33.1 billion) and 31 March 2010 ($34.6 billion) were as follows:

	Investment Fund Size $bn		**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	**8.5**	9.4	**14%**	15%	**1%**	19%	**32%**	19%	**39%**	34%	**14%**	13%
Cash collateral	**3.7**	4.4	**100%**	100%	**0%**	0%	**0%**	0%	**0%**	0%	**0%**	0%
Margin Funds	**18.7**	18.9	**22%**	31%	**21%**	20%	**30%**	16%	**27%**	33%	**0%**	0%
Clearing House Funds	**2.2**	1.9	**73%**	71%	**8%**	6%	**0%**	1%	**19%**	22%	**0%**	0%
Total	**33.1**	34.6	**32%**	38%	**12%**	16%	**25%**	14%	**27%**	29%	**4%**	3%

Credit exposure is well diversified. The Group's bond portfolio (which includes certain principal-guaranteed structured notes) held is of investment grade and, as at 30 June 2010, had a weighted average credit rating of Aa2 (31 March 2010: Aa2) and a weighted average maturity of 2.2 years (31 March 2010: 2.3 years). Deposits (which include certain principal-guaranteed structured 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 (1 year is used by the Group). The overall risk, as measured by the VaR methodology, during the second quarter of 2010 and the first quarter of 2010 was as follows:

	Average VaR $m		**Highest VaR** $m		**Lowest VaR** $m	
	Apr-Jun	Jan-Mar	**Apr-Jun**	Jan-Mar	**Apr-Jun**	Jan-Mar
Corporate Funds	**16.5**	21.8	**18.6**	27.1	**15.3**	18.2
Cash collateral	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
Margin Funds	**13.9**	30.6	**17.7**	34.5	**10.5**	25.3
Clearing House Funds	**1.5**	2.2	**2.4**	2.3	**1.1**	2.0

Details of the Group's net investment income are set out in the Revenue and Other Income section under the Financial Review.

FINANCIAL REVIEW

Overall Performance

	Note	**Six months ended 30 Jun 2010 $m**	As restated Six months ended 30 Jun 2009 $m	Change
RESULTS				
Revenue and other income:				
Income affected by market turnover	(A)	**2,332**	2,186	7%
Stock Exchange listing fees	(B)	**425**	327	30%
Income from sale of information	(C)	**335**	327	2%
Other revenue	(D)	**204**	174	17%
Net investment income	(E)	**158**	325	(51%)
		3,454	3,339	3%
Operating expenses		**776**	760	2%
Profit before taxation		**2,678**	2,579	4%
Taxation		**(420)**	(392)	7%
Profit attributable to shareholders		**2,258**	2,187	3%

The Group recorded a profit attributable to shareholders of $2,258 million for the first six months of 2010 (first quarter: $1,127 million; second quarter: $1,131 million) compared with $2,187 million for the same period in 2009 (2009 first quarter: $834 million; second quarter: $1,353 million).

The rise in profit for the six months ended 30 June 2010 against that for 2009 was primarily attributable to the higher turnover-related income resulting from the increase in activity in the Cash Market and the increase in Stock Exchange listing fees, but was partly offset by the drop in net investment income on account of lower net interest income and lower fair value gains on investments in 2010.

Total operating expenses rose slightly by 2 per cent during the period mainly due to higher staff costs and IT and computer maintenance expenses but were partly offset by a decrease in premises expenses.

Revenue and Other Income

(A) Income Affected by Market Turnover

	Six months ended 30 Jun 2010 $m	Six months ended 30 Jun 2009 $m	Change
Trading fees and trading tariff	**1,285**	1,216	6%
Clearing and settlement fees	**727**	651	12%
Depository, custody and nominee services fees	**320**	319	0%
Total	**2,332**	2,186	7%

The increase in trading fees and trading tariff was mainly due to the higher turnover of the Cash Market for the first six months of 2010 against that for the corresponding period last year.

Clearing and settlement fees are derived predominantly from Cash Market transactions. The increase in clearing and settlement fees for the first half of 2010 was mainly due to the higher turnover of the Cash Market. Clearing and settlement fees are also affected by the volume of SIs and, despite being mostly ad valorem fees, are subject to a minimum and a maximum fee per transaction and therefore may not always move exactly with changes in the turnover of the Cash Market. For the first six months of 2010, the percentage increase in clearing and settlement fees was higher than the percentage increase in the turnover of the Cash Market since the increase in transaction value of SIs was higher, and a lower proportion of the value of SIs was subject to the maximum fee.

Depository, custody and nominee services fees remained fairly stable as the increase in dividend collection fees, corporate action fees, stock custody fees and electronic IPO ("eIPO") handling fees was mostly offset by the decrease in stock withdrawal fees and scrip fees. Other than the eIPO handling fees which are affected by the number of newly listed companies, the other fees are generally influenced by the level of Cash Market activity but do not move proportionately with changes in the turnover of the Cash Market as they vary mostly with the number of board lots rather than the value or turnover of the securities concerned, and many are subject to a maximum fee. Moreover, scrip fees are only chargeable on the net increase in individual Participants' aggregate holdings of the securities between book closing dates, and thus are unusually large on the first book closing date after a new listing.

Key Market Indicators

	Six months ended 30 Jun 2010	Six months ended 30 Jun 2009	Change
Average daily turnover value on the Stock Exchange ($bn)	**63.8**	58.3	9%
Average daily number of derivatives contracts traded on the Futures Exchange	**217,639**	213,630	2%
Average daily number of stock options contracts traded on the Stock Exchange	**221,512**	206,084	7%

(B) Stock Exchange Listing Fees

	Six months ended 30 Jun 2010 $m	Six months ended 30 Jun 2009 $m	Change
Annual listing fees	**194**	177	10%
Initial and subsequent issue listing fees	**229**	148	55%
Others	**2**	2	0%
Total	**425**	327	30%

The increase in annual listing fees was attributable to the higher number of listed companies. The rise in initial and subsequent issue listing fees was due to the increase in the number of newly listed companies and DWs, but was partly offset by the decrease in the number of newly listed CBBCs and the drop in initial listing fees forfeited due to lower number of lapsed and withdrawn IPO applications not listed within 6 months of application.

Key Drivers for Annual Listing Fees

	At 30 Jun 2010	At 30 Jun 2009	Change
Number of companies listed on Main Board	**1,170**	1,103	6%
Number of companies listed on GEM	**174**	170	2%
Total	**1,344**	1,273	6%

Key Drivers for Initial and Subsequent Issue Listing Fees

	Six months ended 30 Jun 2010	Six months ended 30 Jun 2009	Change
Number of newly listed DWs	**3,185**	1,574	102%
Number of newly listed CBBCs	**3,359**	3,685	(9%)
Number of newly listed companies on Main Board	**28**	18	56%
Number of newly listed companies on GEM	**2**	–	N/A
Total equity funds raised on Main Board			
– through IPOs ($bn)	**50.3**	17.6	186%
– Post-IPO ($bn)	**112.8**	198.8	(43%)
Total equity funds raised on GEM			
– through IPOs ($bn)	**0.1**	–	N/A
– Post-IPO ($bn)	**4.8**	1.0	380%

(C) Income from Sale of Information

	Six months ended 30 Jun 2010 $m	Six months ended 30 Jun 2009 $m	Change
Income from sale of information	**335**	327	2%

Income from sale of information rose as demand for information increased in tandem with the activity in the Cash Market.

(D) Other Revenue

	Six months ended 30 Jun 2010 $m	Six months ended 30 Jun 2009 $m	Change
Network, terminal user, dataline and software sub-license fees	**163**	130	25%
Participants' subscription and application fees	**17**	18	(6%)
Trading booth user fees	**8**	7	14%
Sales of Trading Rights	**4**	7	(43%)
Miscellaneous revenue	**12**	12	0%
Total	**204**	174	17%

Network, terminal user, dataline and software sub-license fees increased mainly due to an increase in sales of additional throttle and higher open gateway user fees.

(E) Net Investment Income

	Six months ended 30 Jun 2010 $m	As restated Six months ended 30 Jun 2009 $m	Change
Gross investment income	**159**	327	(51%)
Interest rebates to Participants	**(1)**	(2)	(50%)
Net investment income	**158**	325	(51%)

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

	Six months ended 30 Jun 2010 $bn	Six months ended 30 Jun 2009 $bn	Change
Corporate Funds	**9.1**	7.7	18%
Cash collateral	**3.7**	3.0	23%
Margin Funds	**22.3**	30.8	(28%)
Clearing House Funds	**2.1**	1.3	62%
Total	**37.2**	42.8	(13%)

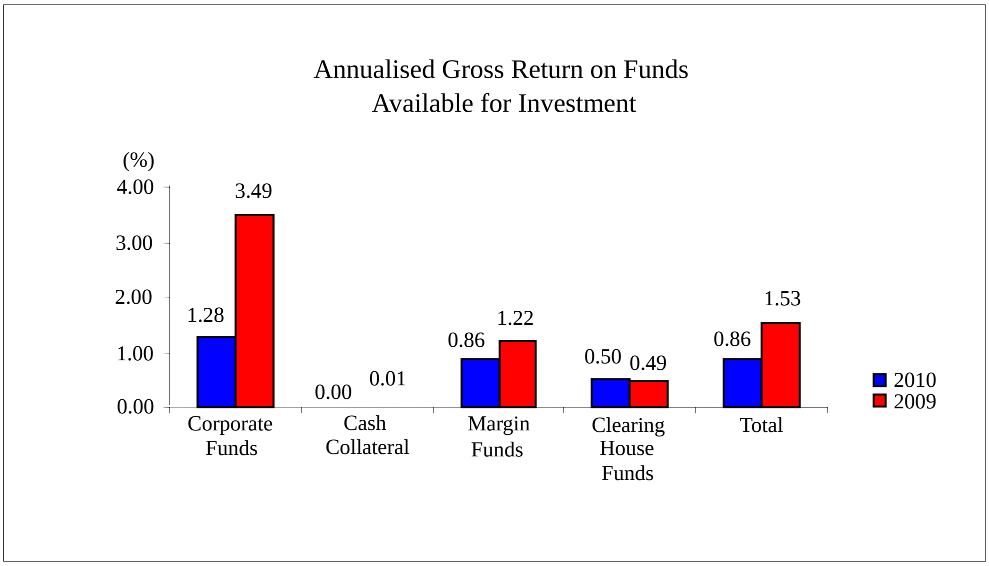
The average amount of Corporate Funds increased as the profit generated in the second half of 2009 was higher than that in the corresponding period in 2008, and the dividend relating to which was not distributed until May 2010.

The significant drop in the average amount of Margin Funds available for investment during the period was primarily caused by the lower margin rate required per contract.

The higher 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 lower net investment income was primarily attributable to the decrease in net interest income due to lower Margin Fund size and interest rates during the first six months of 2010 as compared with that for the corresponding period in 2009, and the drop in fair value gains including interest of Corporate Fund investments that were measured at fair value, reflecting market movements.

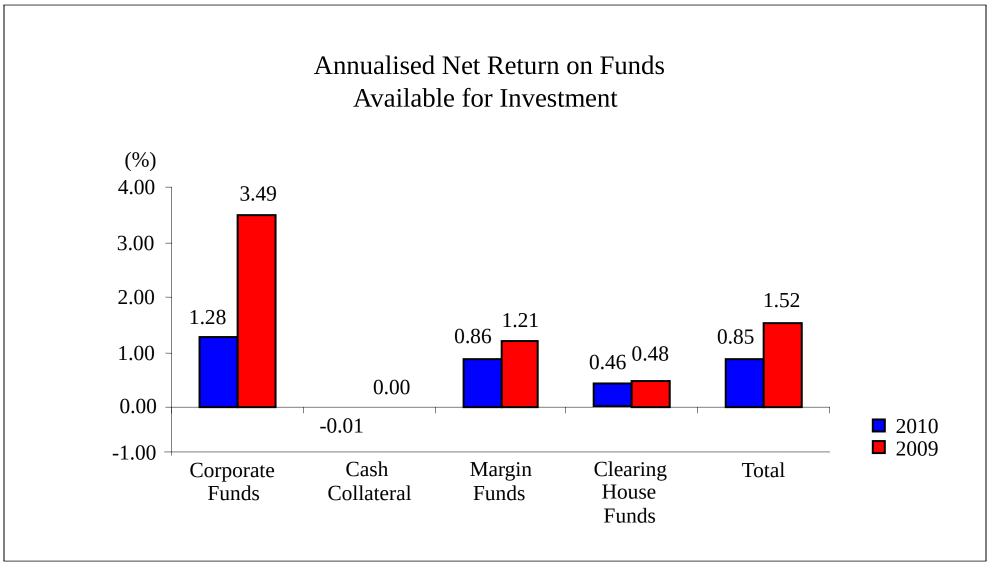
The annualised gross return on funds available for investment during the first six months is set out below.



The decrease in gross return of Corporate Funds and Margin Funds was mainly attributable to lower interest rates and the decrease in realised and unrealised fair value gains including interest of the investments that were measured at fair value (including certain principal-guaranteed structured notes and principal-guaranteed structured deposits) during the six months ended 30 June 2010. As the valuation of the investments reflects movements in their market prices, unrealised gains or losses may fluctuate or reverse until the investments are sold or mature.

The increase in gross return of Clearing House Funds during the six months ended 30 June 2010 was mainly due to the higher yield investments (including certain principal-guaranteed structured notes) held during the period.

The annualised net return on funds available for investment after the deduction of interest rebates to Participants during the first six months is set out below.



The net returns of all the funds in 2010 and 2009 were similar to their gross returns as very little interest rebates were paid to Participants under the current almost zero interest rate environment (paid at predominantly savings rate).

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

Operating Expenses

	Six months ended 30 Jun 2010 $m	As restated Six months ended 30 Jun 2009 $m	Change
Staff costs and related expenses	**421**	409	3%
IT and computer maintenance expenses	**128**	120	7%
Premises expenses	**105**	112	(6%)
Product marketing and promotion expenses	**8**	6	33%
Legal and professional fees	**6**	7	(14%)
Depreciation	**53**	48	10%
Other operating expenses	**55**	58	(5%)
Total	**776**	760	2%

Staff costs and related expenses increased by $12 million, primarily due to the increase in salary costs as a result of the salary adjustments to keep up with the market trend.

The Group's IT and computer maintenance expenses, excluding costs of services and goods directly consumed by the Participants of $58 million (2009: $50 million), were $70 million (2009: $70 million). The rise in costs of services and goods directly consumed by the Participants was caused by the increase in AMS/3 line rentals and HKATS maintenance expenses incurred by the Participants. Costs of services and goods consumed by Participants were mostly recovered from the Participants and the income was included as part of the network, terminal user, dataline and software sub-license fees under Other Revenue.

Premises expenses dropped due to the consolidation of the data centres for derivatives and cash trading at lower cost premises.

Taxation

	Six months ended 30 Jun 2010 $m	As restated Six months ended 30 Jun 2009 $m	Change
Taxation	**420**	392	7%

Taxation increased mainly attributable to an increase in profit before taxation, and a decrease in non-taxable investment income.

Comparison of 2010 Second Quarter Performance with 2010 First Quarter Performance

	Three months ended 30 Jun 2010 $m	Three months ended 31 Mar 2010 $m	Change
Revenue and other income:			
Income affected by market turnover:			
Trading fees and trading tariff	**632**	653	(3%)
Clearing and settlement fees	**362**	365	(1%)
Depository, custody and nominee services fees	**247**	73	238%
	1,241	1,091	14%
Stock Exchange listing fees	**204**	221	(8%)
Income from sale of information	**166**	169	(2%)
Other revenue	**96**	108	(11%)
Net investment income	**33**	125	(74%)
	1,740	1,714	2%
Operating expenses	**391**	385	2%
Profit before taxation	**1,349**	1,329	2%
Taxation	**(218)**	(202)	8%
Profit attributable to shareholders	**1,131**	1,127	0%

Profit attributable to shareholders increased marginally to $1,131 million in the second quarter of 2010, as the increase in revenue and other income was largely offset by the increase in operating expenses and taxation charge.

Depository, custody and nominee services fees rose as a result of an increase in scrip fee income due to seasonal fluctuations. On the other hand, trading fees and trading tariff, clearing and settlement fees, and income from sale of information dropped slightly, which were in line with the decrease in activity in the Cash Market. Stock Exchange listing fees decreased as there were fewer newly listed DWs and CBBCs in the second quarter against those in the first quarter. Net investment income dropped mainly due to the lower fair value gains including interest of Corporate Fund and Margin Fund investments that were measured at fair value (including certain principal-guaranteed structured notes and principal-guaranteed structured deposits) in the second quarter of 2010 against that in the first quarter, reflecting market movements.

Key Market Indicators

	Three months ended 30 Jun 2010	Three months ended 31 Mar 2010	Change
Average daily turnover value on the Stock Exchange ($bn)	**62.9**	64.8	(3%)
Average daily number of derivatives contracts traded on the Futures Exchange	**223,654**	211,724	6%
Average daily number of stock options contracts traded on the Stock Exchange	**237,708**	205,581	16%

Operating expenses increased by 2 per cent mainly attributable to the increase in staff costs due to higher headcount.

Taxation increased in the second quarter mainly attributable to the higher profit before taxation and the decrease in non-taxable investment income.

Working Capital

Working capital fell by $63 million or 1 per cent to $5,647 million as at 30 June 2010 (31 December 2009: $5,710 million). The reduction was primarily due to the payment of the 2009 final dividend of $2,251 million in May 2010, the purchase of shares held under the Share Award Scheme of $91 million and the increase in financial assets maturing over 1 year of $37 million, but was partly offset by the profit generated during the six months of $2,258 million, proceeds from issuing shares upon the exercise of employee share options of $31 million and the increase in other working capital of $27 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 2010, the Group's total available banking facilities amounted to $9,050 million (31 December 2009: $9,050 million), of which $9,000 million (31 December 2009: $9,000 million) was repurchase facilities.

Borrowings by the Group have been rare and are mostly event driven, with little seasonality. As at 30 June 2010 and 31 December 2009, the Group had no bank borrowings and therefore had a zero gearing.

The Group's capital expenditure commitments as at 30 June 2010 were mainly related to the ongoing investments in facilities and technology and the construction of a data centre, and amounted to $244 million (31 December 2009: $66 million). The Group has ample internal resources to fund its commitments on capital expenditure.

As at 30 June 2010, more than 99 per cent (31 December 2009: more than 99 per cent) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and time deposits within 3 months of maturity when acquired) were denominated in HKD or USD.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Save for those disclosed in this announcement, there were no significant investments held, nor material acquisitions and disposals of subsidiaries during the period under review. Apart from the commitment to the construction of the next generation data centre in Tseung Kwan O Industrial Estate, there is no plan for other material investments or capital assets as at the date of this announcement.

Charges on Assets

None of the Group's assets was pledged as at 30 June 2010 and 31 December 2009.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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 bank deposits have been used to hedge the currency exposure of the Group's non-HKD investments and liabilities to mitigate risks arising from fluctuations in exchange rates.

As at 30 June 2010, the aggregate net open foreign currency positions amounted to HK$2,295 million, of which HK$212 million were non-USD exposures (31 December 2009: HK$3,140 million, of which HK$193 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK$3,629 million

(31 December 2009: HK$3,405 million). All forward foreign exchange contracts would mature within 2 months (31 December 2009: 2 months).

Foreign currency margin deposits received by the Group are mainly hedged by investments in the same currencies, but 25 per cent of the HKD liabilities may be invested in USD deposits for a maximum maturity of 2 weeks.

Contingent Liabilities

The Group had a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding $71 million (31 December 2009: $72 million). Up to 30 June 2010, no calls had been made by the SFC in this connection.

The Stock Exchange had undertaken to indemnify the Collector of Stamp Revenue against any underpayment of stamp duty by its Participants of up to $200,000 for each Participant. In the unlikely event that all of its 470 trading Participants covered by the indemnity as at 30 June 2010 (31 December 2009: 462) defaulted, the maximum contingent liability of the Stock Exchange under the indemnity would amount to $94 million (31 December 2009: $92 million).

HKEx had given an undertaking in favour of HKSCC to contribute up to $50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEx or within 1 year after HKSCC ceases to be a wholly-owned subsidiary of HKEx, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEx, and for the costs of winding up.

Changes since 31 December 2009

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 2009.

OPERATIONAL REVIEW

Organisational Changes

Mr Charles Li became the Chief Executive and the ex-officio member of the Board effective 16 January 2010.

HKEx has made a number of significant changes to its organisation structure to align it with its strategic direction, as set forth in the 2010-2012 Strategic Plan. Key drivers of the existing business remain largely unchanged in the new structure as HKEx plans to continue to focus on its core business and operational excellence and benefit from its strengths in those areas. The Strategic Plan and the organisation chart are available on the HKEx website.

The newly established Market Development Division, headed by Mr Romnesh Lamba, will focus on capturing future China and international opportunities, broadening HKEx's issuer base, assessing new product development and enhancing the competitiveness of HKEx's market structure and market systems. It comprises the Issuer Marketing, Corporate Strategy, and Research and Corporate Development departments, as well as the new Platform Development and Mainland Development departments.

HKEx restructured parts of its secondary market operations by combining the Cash Market and Derivatives Market departments into a new Trading Division in order to achieve operational synergies and more effective implementation of key strategic initiatives in the Secondary Market. As part of the restructuring, Mr Eric Yip, who was the Head of the Cash Market Department, has been appointed the Deputy Chief Operating Officer to focus on the implementation of certain strategic initiatives in relation to risk management and clearing under the 2010-2012 Strategic Plan. Mr Calvin Tai, who was the Head of the Derivatives Market Department, has been appointed the Head of the Trading Division.

The construction of the next generation data centre is a major strategic project to be accomplished in the next few years. As a result, Mr Bill Chow, the Deputy Head of Information Technology Division ("ITD") will be appointed the Chief Technology Officer to succeed Mr Alfred Wong who will retire on 1 September 2010. Mr Roger Lee, who is currently the Head of Listing Operations will co-head the ITD with Mr Chow. The dual-leadership arrangement highlights the repositioning of the ITD as a critical business partner and allows Mr Chow to focus on the technology development of HKEx's IT infrastructure while Mr Lee will take an active role in resource management, operations, administration and governance of the ITD.

There were other senior personnel changes and appointments in the first half of 2010. Mr Lawrence Fok was appointed the Chief Marketing Officer of HKEx and Mr Stewart Shing, who was HKEx's Head of Clearing, re-joined HKEx on 1 February 2010 as an Advisor in the newly established Advisory Services Department. Ms Christine Wong joined HKEx on 10 June 2010 to succeed Ms Mary Kao as the Chief Counsel and Head of Legal Services, who retired on 1 August 2010. Mr Samuel Wong joined HKEx on 2 July 2010 to succeed Mr Archie Tsim (who resigned on 1 April 2010) as the Chief Financial Officer and Head of Finance and Administration.

Mr Eddie Chow retired as Head of Administration on 1 June 2010 and the selection of his successor is underway. Mr Peter Curley resigned as Executive Vice President effective 1 August 2010.

HKEx takes this opportunity to express its gratitude to Mr Eddie Chow, Mr Peter Curley, Ms Mary Kao, Mr Archie Tsim and Mr Alfred Wong for their valuable contributions to HKEx and their distinguished and dedicated services over the past years.

Employees

HKEx's success relies heavily on our employees' commitment and concerted efforts to achieve corporate objectives. HKEx's remuneration policy is built on the principle of providing an equitable, performance-oriented, motivating and market-competitive remuneration package to each employee. This package comprises a base salary, a provident fund, group medical and group life insurances, and a bonus determined by the performance of the individual as well as that of the Group. In addition, a long-term incentive in the form of shares awarded ("Awarded Shares") under the Employees' Share Award Scheme ("Share Award Scheme") (which was adopted by the Board on 14 September 2005 and subsequently amended on 16 August 2006 and 13 May 2010) is offered to retain key employees.

HKEx encourages and supports our employees to reach their full potential through continuous training and career development. Employees can attend in-house training programmes or enrol in external seminars for which sponsorship is provided. In the first half of 2010, 67 in-house courses were organised, which collectively attracted more than 1,400 attendees. Moreover, a total of 198 employees attended about 480 external seminars, while 75 participated in HKEx's e-learning scheme.

As at the end of June 2010, the Group had 863 employees, including 10 temporary staff (31 December 2009: 850 employees, including 9 temporary staff).

Corporate Governance

The Government Appointed Directors (directors appointed by the Financial Secretary of the Hong Kong Government pursuant to Section 77 of the Securities and Futures Ordinance ("SFO")) and the Chief Executive in his capacity as a HKEx's director ("Director") are not subject to election or re-election by HKEx's shareholders ("Shareholders") as their appointments are governed by Section 77 of the SFO and HKEx's Articles of Association respectively. Save as disclosed in this paragraph, HKEx has complied with all the code provisions and, where appropriate, adopted the recommended best practices, as set out in the Code on Corporate Governance Practices (Appendix 14 to the Main Board Listing Rules) throughout the review period.

HKEx continued to be a constituent company in the FTSE4Good Index Series during the period under review. As of 15 May 2010, HKEx's Global and Home Market Ratings assigned by GovernanceMetrics International Inc, a corporate governance ratings and research firm, were 7.5 and 10.0 respectively, out of the maximum of 10.0.

On 15 June 2010, HKEx received the Corporate Governance Asia Recognition Award 2010 from *Corporate Governance Asia*, a journal advocating corporate governance in Asia. HKEx is committed to improving its corporate governance and welcomes stakeholders' comments which can be sent in writing or by email to ssd@hkex.com.hk.

Corporate Social Responsibility ("CSR") Development

To enhance the quality and standard of our CSR reporting, we published our 2009 CSR Report "Our Commitment to Sustainable Value" in March 2010, with a Global Reporting Initiative application level A+. In line with our CSR Policy formulated on 1 January 2010, the CSR Working Group is working closely on a number of initiatives in order to achieve the key performance indicators established for each of our CSR cornerstones.

HKEx was assessed as one of the CSR leaders among the HSI constituent companies in the CSR Survey of HSI Constituent Companies in 2009 published by Oxfam Hong Kong in April 2010. Moreover, we have been included as a constituent company of the Hang Seng Corporate Sustainability Index Series since its first launch on 26 July 2010.

To further demonstrate our commitment to promote the development of socially responsible practices in the marketplace and community, HKEx donated $1 million in April 2010 for the Qinghai earthquake relief, and continued to support the Carbon Disclosure Project by disclosing corporate climate change information in May 2010. HKEx also participated in the Employee Volunteer Week 2010 (from 24 to 30 May 2010) for the first time, a campaign launched by Community Business to promote employee volunteering in Hong Kong. A total of 80 HKEx volunteers, including the Chief Executive, other Board members and senior executives, sold rice packets in HKEx's Trading Hall and offices in support of the Oxfam Rice Sale fundraising campaign for poverty relief in the Mainland and helped to pack rice for the People's Food Bank of the St. James' Settlement for distribution to more than 1,300 underprivileged people in Hong Kong. HKEx contributed a total of 244 volunteer service hours and $120,770 in donations to these two events. In recognition of our volunteering efforts, HKEx received a number of awards at the Oxfam China Development Fund Campaign (Oxfam Rice Sale) and Oxfam Corporate Donor Programme 2009-2010, namely the Highest Fundraising Award (Corporates) – Gold Award, the Highest Participation Award (Corporates) – Silver Award, the Highest Fundraising

Award (Sponsoring Organisation) – Bronze Award and the Oxfam Corporate Donor Excellence Award.

PROSPECTS

The Hong Kong financial markets remained volatile in the first six months of 2010 amid global market instability and sovereign liquidity concerns in Europe.

The average daily turnover in the first half of 2010 on the Stock Exchange and the Futures Exchange increased by 9 per cent and 2 per cent respectively and the number of new listings increased by 56 per cent against those for the same period last year. HKEx's profit attributable to shareholders amounted to $2,258 million, an increase of 3 per cent.

Although the G-20, or the Group of Twenty, recently declared that it would continue to cooperate and undertake appropriate actions to bolster economic growth and foster a strong and lasting recovery, the global economy is still struggling to emerge from a long shadow. Investors are likely to stay cautious when making investment decisions.

While pursuing a core strategy to generate organic growth under the Strategic Plan 2010-2012, HKEx has been actively engaging in both expansion and extension strategies. In July 2010, we introduced options on 2 A-share related ETFs to further strengthen the China dimension of our markets. The expansion of the Renminbi ("RMB") trade settlement scheme agreed between the People's Bank of China and the Hong Kong Monetary Authority in July 2010 further promotes Hong Kong as a RMB offshore market platform. In addition, the revised settlement agreement on the clearing of RMB businesses enables individuals and corporations to conduct RMB payments and transfers through the banks, and between banks in the Mainland and Hong Kong. Such relaxation of restrictions on RMB transfers will expedite the development of RMB-denominated financial products. We will intensify our efforts to capture every opportunity arising from the RMB globalisation.

Apart from expanding our footprint in the Mainland, attracting international listings has become a new HKEx growth driver. In addition to local and Chinese companies, the Exchange has been courting companies from other countries such as Australia, Brazil, Canada, France, Germany, Japan, Mongolia, Russia, South Korea, the United Kingdom, and the United States.

HKEx will continue reinforcing its global competitiveness in order to secure investors' confidence and capital inflows from overseas markets. In this respect, the maintenance of a fair and transparent market is essential. HKEx supports a statutory regime for the continuous disclosure obligations of listed issuers to improve transparency and integrity of its markets. We are also upgrading the capacity and technology of our various trading, clearing and market data dissemination systems as well as our satellite applications to meet market needs.

In the pursuit of business growth, we continue to adopt ethical and responsible business practices. We are pleased that our efforts have been once again recognised with HKEx selected as one of the constituent companies of the newly developed Hang Seng Corporate Sustainability Index Series. We are firmly committed to creating sustainable value for our stakeholders.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	**Six months ended 30 Jun 2010 $m**	As restated Six months ended 30 Jun 2009 $m	**Three months ended 30 Jun 2010 $m**	As restated Three months ended 30 Jun 2009 $m
Trading fees and trading tariff		**1,285**	1,216	**632**	720
Stock Exchange listing fees		**425**	327	**204**	174
Clearing and settlement fees		**727**	651	**362**	394
Depository, custody and nominee services fees		**320**	319	**247**	257
Income from sale of information		**335**	327	**166**	172
Other revenue	3	**204**	174	**96**	90
REVENUE		**3,296**	3,014	**1,707**	1,807
Investment income		**159**	327	**33**	192
Interest rebates to Participants		**(1)**	(2)	**–**	(1)
Net investment income	4	**158**	325	**33**	191
TURNOVER	2	**3,454**	3,339	**1,740**	1,998
OPERATING EXPENSES					
Staff costs and related expenses		**421**	409	**212**	227
IT and computer maintenance expenses		**128**	120	**64**	61
Premises expenses		**105**	112	**52**	58
Product marketing and promotion expenses		**8**	6	**5**	3
Legal and professional fees		**6**	7	**4**	3
Depreciation		**53**	48	**26**	23
Other operating expenses		**55**	58	**28**	31
	2	**776**	760	**391**	406
PROFIT BEFORE TAXATION	2	**2,678**	2,579	**1,349**	1,592
TAXATION	5	**(420)**	(392)	**(218)**	(239)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**2,258**	2,187	**1,131**	1,353
Basic earnings per share	7(a)	**$2.10**	$2.04	**$1.05**	$1.26
Diluted earnings per share	7(b)	**$2.09**	$2.03	**$1.05**	$1.25

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended 30 Jun 2010 $m	As restated Six months ended 30 Jun 2009 $m	**Three months ended 30 Jun 2010 $m**	As restated Three months ended 30 Jun 2009 $m
Profit attributable to shareholders	**2,258**	2,187	**1,131**	1,353
Other comprehensive income:				
Available-for-sale financial assets:				
Change in fair value during the period	**–**	(45)	**–**	8
Change in fair value up to maturity	**–**	(49)	**–**	(34)
Less: Reclassification adjustment:				
Gains included in profit or loss on disposal	**–**	(3)	**–**	(3)
Deferred tax	**–**	16	**–**	5
Other comprehensive income attributable to shareholders, net of tax	**–**	(81)	**–**	(24)
Total comprehensive income attributable to shareholders	**2,258**	2,106	**1,131**	1,329

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		At 30 Jun 2010			As restated At 31 Dec 2009		
	Note	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
ASSETS							
Cash and cash equivalents	8	**15,666**	**-**	**15,666**	14,738	-	14,738
Financial assets measured at fair value through profit or loss	8	**10,678**	**1,185**	**11,863**	12,466	1,559	14,025
Financial assets measured at amortised cost	8	**4,712**	**1,179**	**5,891**	4,157	768	4,925
Accounts receivable, prepayments and deposits	8, 9	**9,457**	**6**	**9,463**	11,334	7	11,341
Fixed assets		**-**	**279**	**279**	-	303	303
Lease premium for land		**-**	**26**	**26**	-	-	-
Total assets		**40,513**	**2,675**	**43,188**	42,695	2,637	45,332
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits from Clearing Participants on derivatives contracts		**18,696**	**-**	**18,696**	20,243	-	20,243
Cash collateral from HKSCC Clearing Participants		**3,700**	**-**	**3,700**	3,432	-	3,432
Accounts payable, accruals and other liabilities	10	**10,487**	**-**	**10,487**	11,827	-	11,827
Deferred revenue		**266**	**-**	**266**	424	-	424
Taxation payable		**483**	**-**	**483**	261	-	261
Other financial liabilities		**51**	**-**	**51**	42	-	42
Participants' contributions to Clearing House Funds		**1,154**	**282**	**1,436**	723	276	999
Provisions		**29**	**29**	**58**	33	26	59
Deferred tax liabilities		**-**	**13**	**13**	-	18	18
Total liabilities		**34,866**	**324**	**35,190**	36,985	320	37,305
Equity							
Share capital				**1,078**			1,076
Share premium				**412**			376
Shares held for Share Award Scheme				**(141)**			(52)
Employee share-based compensation reserve				**44**			43
Designated reserves				**569**			563
Retained earnings	11			**6,036**			6,021
Shareholders' funds				**7,998**			8,027
Total equity and liabilities				**43,188**			45,332
Net current assets				**5,647**			5,710
Total assets less current liabilities				**8,322**			8,347

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated accounts should be read in conjunction with the 2009 annual accounts. The accounting policies and methods of computation used in the preparation of these accounts and segment information are consistent with those used in the annual accounts and segment information for the year ended 31 December 2009.

Adoption of new/revised accounting policies in the fourth quarter of 2009

As disclosed in the 2009 annual accounts, the Group adopted Hong Kong Financial Reporting Standard ("HKFRS") 9: Financial Instruments and amended its accounting policy for measurement of leasehold building in the fourth quarter of 2009. The adoption of the new standard and the amended accounting policy had the following impact on the condensed consolidated financial statements for the six months ended 30 June 2009:

(a) certain available-for-sale financial assets with net revaluation surpluses were reclassified to financial assets measured at amortised cost under HKFRS 9. This resulted in a $27 million reduction in revaluation reserve but did not have any impact on profit or loss. The decrease in revaluation reserve reflected the restatement of those assets from fair value to the lower amortised cost;

(b) certain available-for-sale financial assets with net revaluation deficits of $14 million were reclassified to financial assets measured at fair value through profit or loss under HKFRS 9. The deficit was transferred to profit or loss under net investment income and hence retained earnings;

(c) prior to the fourth quarter of 2009, the leasehold building was measured at valuation less accumulated depreciation. In the fourth quarter of 2009, the accounting policy of leasehold building was changed to cost less accumulated depreciation and this change has been applied retrospectively. Retained earnings therefore decreased by $2 million as the accumulated depreciation charges were computed based on the cost of the leasehold building, which was higher than the valuation before the change in accounting policy; and

(d) the net decrease in revaluation reserve as a result of the reclassification of financial assets in notes (a) and (b) above resulted in a $2 million decrease in deferred tax liability and a corresponding increase in revaluation reserve.

The impact of the above changes is summarised below:

Effects on equity as at 30 June 2009

	HKFRS 9 $m	Leasehold building $m	Total $m
Decrease in equity			
Revaluation reserve	(11)	–	(11)
Retained earnings	(14)	(2)	(16)

Effects on condensed consolidated income statement for the six months ended 30 June 2009 and three months ended 30 June 2009

	Six months ended 30 Jun 2009 $m	Three months ended 30 Jun 2009 $m
Decrease in net investment income	(14)	(14)
Decrease in profit attributable to shareholders	(14)	(14)
Decrease in basic earnings per share	$(0.01)	$(0.01)
Decrease in diluted earnings per share	$(0.01)	$(0.01)

The effects on other components of the condensed consolidated income statement were less than $1 million.

Change in presentation of consolidated statement of financial position

In previous years, the Group presented current and non-current assets, and current and non-current liabilities, as separate classifications in the consolidated statement of financial position. From June 2010 onwards, the Group decided to present its assets and liabilities in order of liquidity in the consolidated statement of financial position as it provides information that better reflects the manner in which the assets and liabilities are managed in the Group's business operations, particularly following the changes made on adopting HKFRS 9, and is thus reliable and more relevant.

The comparative figures have been restated to conform with the revised presentation.

2. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has 4 reportable segments. The segments are managed separately as each business offers different products and services and requires different IT systems and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

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, CBBCs and DWs. Currently, the Group operates 2 Cash Market platforms, the Main Board and the GEM. The major sources of income of the business are trading fees, trading tariff and listing fees. Results of the Listing Function are included in the Cash Market.

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 stock and equity index futures and options. Its income mainly comprises trading fees, trading tariff and net investment income on the Margin Funds invested.

The **Clearing Business** refers to the operations of the 3 clearing houses, namely HKSCC, SEOCH and HKCC, which are responsible for clearing, settlement and custodian activities 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 **Market Data (**formerly 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.

An analysis of the Group's reportable segment profit before taxation for the period by operating segment is as follows:

	Six months ended 30 Jun 2010					
	Cash Market $m	Derivatives Market $m	Clearing Business $m	Market Data $m	Inter-segment elimination (note (a)) $m	Group $m
Income from external customers	1,492	356	1,112	336	–	3,296
Net investment income	36	106	22	–	(6)	158
	1,528	462	1,134	336	(6)	3,454
Operating expenses						
Direct costs	309	80	162	29	(6)	574
Indirect costs	100	27	61	14	–	202
	409	107	223	43	(6)	776
Reportable segment profit before taxation	1,119	355	911	293	–	2,678

	As restated Six months ended 30 Jun 2009					
	Cash Market $m	Derivatives Market $m	Clearing Business $m	Market Data $m	Inter-segment elimination (note (a)) $m	Group $m
Income from external customers	1,292	362	1,034	326	–	3,014
Net investment income	59	197	74	1	(6)	325
	1,351	559	1,108	327	(6)	3,339
Operating expenses						
Direct costs	305	83	171	25	(6)	578
Indirect costs	85	28	56	13	–	182
	390	111	227	38	(6)	760
Reportable segment profit before taxation	961	448	881	289	–	2,579

(a) The elimination adjustment represents the inter-segment interest charge from the Corporate Centre to the Clearing Business segment for funding the closing-out of market contracts of the defaulting Participant, Lehman Brothers Securities Asia Limited.

3. Other Revenue

	Six months ended 30 Jun 2010 $m	Six months ended 30 Jun 2009 $m	**Three months ended 30 Jun 2010 $m**	Three months ended 30 Jun 2009 $m
Network, terminal user, dataline and software sub-license fees	**163**	130	**78**	68
Participants' subscription and application fees	**17**	18	**8**	9
Trading booth user fees	**8**	7	**4**	3
Sales of Trading Rights	**4**	7	**–**	4
Miscellaneous revenue	**12**	12	**6**	6
	204	174	**96**	90

4. Net Investment Income

	Six months ended 30 Jun 2010 $m	As restated Six months ended 30 Jun 2009 $m	Three months ended 30 Jun 2010 $m	As restated Three months ended 30 Jun 2009 $m
Gross interest income	**49**	206	**27**	86
Interest rebates to Participants	**(1)**	(2)	**–**	(1)
Net interest income	**48**	204	**27**	85
Net realised and unrealised gains including interest income on financial assets measured at fair value through profit or loss, and financial assets and financial liabilities at fair value through profit or loss	**110**	120	**8**	106
Realised gains on disposal of available-for-sale financial assets	**–**	2	**–**	2
Realised losses on disposal of financial assets measured at amortised cost	**(4)**	–	**(4)**	–
Dividend income from financial assets measured at fair value through profit or loss and financial assets at fair value through profit or loss	**3**	1	**2**	–
Other exchange differences	**1**	(2)	**–**	(2)
Net investment income	**158**	325	**33**	191

5. Taxation

Taxation charge/(credit) in the condensed consolidated income statement represented:

	Six months ended 30 Jun 2010 $m	As restated Six months ended 30 Jun 2009 $m	Three months ended 30 Jun 2010 $m	As restated Three months ended 30 Jun 2009 $m
Provision for Hong Kong Profits Tax at 16.5% (2009: 16.5%)	**424**	384	**219**	237
Deferred taxation	**(4)**	8	**(1)**	2
	420	392	**218**	239

6. Dividends

	Six months ended 30 Jun 2010 $m	Six months ended 30 Jun 2009 $m	Three months ended 30 Jun 2010 $m	Three months ended 30 Jun 2009 $m
Interim dividend declared of $1.89 (2009: $1.84) per share as at 30 Jun	**2,037**	1,980	**2,037**	1,980
Less: Dividend for shares held by Share Award Scheme as at 30 Jun	**(3)**	(2)	**(3)**	(2)
	2,034	1,978	**2,034**	1,978

7. 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 2010	As restated Six months ended 30 Jun 2009	**Three months ended 30 Jun 2010**	As restated Three months ended 30 Jun 2009
Profit attributable to shareholders ($m)	**2,258**	2,187	**1,131**	1,353
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	**1,076,207**	1,074,345	**1,076,610**	1,074,746
Basic earnings per share ($)	**2.10**	2.04	**1.05**	1.26

(b) Diluted earnings per share

	Six months ended 30 Jun 2010	As restated Six months ended 30 Jun 2009	**Three months ended 30 Jun 2010**	As restated Three months ended 30 Jun 2009
Profit attributable to shareholders ($m)	**2,258**	2,187	**1,131**	1,353
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	**1,076,207**	1,074,345	**1,076,610**	1,074,746
Effect of employee share options (in '000)	**2,147**	3,339	**1,637**	3,165
Effect of Awarded Shares (in '000)	**636**	910	**706**	913
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	**1,078,990**	1,078,594	**1,078,953**	1,078,824
Diluted earnings per share ($)	**2.09**	2.03	**1.05**	1.25

8. Financial Assets

The Group's financial assets comprised financial assets of the Clearing House Funds, Margin Funds and Corporate Funds. The amounts attributable to Clearing House Funds and Margin Funds were as follows:

	At 30 Jun 2010 $m	At 31 Dec 2009 $m
<u>Clearing House Funds</u>		
Financial assets measured at fair value through profit or loss	**407**	410
Financial assets measured at amortised cost	**3**	51
Cash and cash equivalents	**1,782**	1,280
	2,192	1,741
<u>Margin Funds</u>		
Financial assets measured at fair value through profit or loss	**6,857**	8,673
Financial assets measured at amortised cost	**3,411**	2,854
Accounts receivable, prepayments and deposits	**-**	9
Cash and cash equivalents	**8,428**	8,707
	18,696	20,243
	20,888	21,984

9. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's Continuous Net Settlement money obligations receivable, which accounted for 94 per cent (31 December 2009: 92 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within 2 days after the trade date. The majority of the remaining accounts receivable, prepayments and deposits were due within 3 months.

10. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's Continuous Net Settlement money obligations payable, which accounted for 85 per cent (31 December 2009: 89 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement money obligations mature within 2 days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within 3 months.

11. Retained Earnings

	2010 $m	2009 $m
At 1 Jan	**6,021**	5,241
Profit for the period/year	**2,258**	4,704
Transfer to Clearing House Funds reserves	**(6)**	(11)
Dividends:		
2009/2008 final dividend	**(2,248)**	(1,933)
Dividend on shares issued for employee share options exercised after 31 Dec 2009/31 Dec 2008	**(3)**	(2)
	(2,251)	(1,935)
2009 interim dividend	**–**	(1,978)
Unclaimed dividends forfeited	**14**	4
Vesting of shares of Share Award Scheme	**–**	(4)
At 30 Jun 2010/31 Dec 2009	**6,036**	6,021
Representing:		
Retained earnings	**4,002**	3,773
Declared interim/proposed final dividend	**2,034**	2,248
At 30 Jun 2010/31 Dec 2009	**6,036**	6,021

REVIEW OF ACCOUNTS

Disclosure of financial information in this announcement complies with Appendix 16 to the Main Board Listing Rules. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2010 in conjunction with HKEx's external and internal auditors.

INTERIM DIVIDEND

The Board has declared an interim dividend of $1.89 per share (2009: $1.84 per share) for the year ending 31 December 2010, amounting to a total of about $2,037 million (2009: $1,980 million) which includes $3 million (2009: $2 million) for shares held in trust under the Share Award Scheme.

The interim dividend will be payable on Wednesday, 8 September 2010 to Shareholders whose names appear on HKEx's Register of Members at the close of business on Tuesday, 31 August 2010.

Relevant Dates for the Interim Dividend Payment	
Ex-dividend date	25 August 2010
Book closure period	27 August – 31 August 2010 (both dates inclusive)
Record date	31 August 2010
Payment date	8 September 2010

CLOSURE OF REGISTER OF MEMBERS

HKEx's Register of Members will be closed and no transfer of shares will be registered from Friday, 27 August 2010 to Tuesday, 31 August 2010, both dates inclusive, for the purpose of determining Shareholders' entitlements to the interim dividend. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with HKEx's registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Thursday, 26 August 2010.

PURCHASE, SALE OR REDEMPTION OF HKEx'S LISTED SECURITIES

During the six months ended 30 June 2010, neither HKEx nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Exchange a total of 738,100 shares at a consideration of about $91 million.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The results announcement is published on the HKExnews website at www.hkexnews.hk and the HKEx website at www.hkex.com.hk/relation/results/ResultsAnn.htm. The 2010 Interim Report will be available on the HKExnews and HKEx websites and despatched to Shareholders on or about Thursday, 26 August 2010.

BOARD OF DIRECTORS

As at the date of this announcement, the HKEx Board comprises 12 Independent Non-executive Directors, namely Mr Ronald Joseph ARCULLI (Chairman), Mrs CHA May-Lung, Laura, Mr CHAN Tze Ching, Ignatius, Dr CHENG Mo Chi, Moses, Dr CHEUNG Kin Tung, Marvin, Mr HUI Chiu Chung, Stephen, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mr LEE Tze Hau, Michael, Mr John Estmond STRICKLAND, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and 1 Executive Director, Mr LI Xiaojia, Charles, who is also the Chief Executive.

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

Hong Kong, 11 August 2010