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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 HKD unless otherwise stated)

QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

The Board submits the unaudited consolidated results of the Group for the nine months ended 30 September 2011 as follows:

FINANCIAL HIGHLIGHTS

	Nine months ended 30 Sept 2011	Nine months ended 30 Sept 2010	Change	Three months ended 30 Sept 2011	Three months ended 30 Sept 2010	Change
KEY MARKET STATISTICS						
Average daily turnover value on the Stock Exchange (\$bn)	73.2	63.1	16%	72.6	61.8	17%
Average daily number of derivatives contracts traded on the Futures Exchange	268,850	212,953	26%	304,229	204,094	49%
Average daily number of stock options contracts traded on the Stock Exchange	309,104	219,892	41%	348,598	216,830	61%
	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Change	Three months ended 30 Sept 2011 \$m	Three months ended 30 Sept 2010 \$m	Change
RESULTS						
Revenue and other income	5,917	5,291	12%	1,945	1,837	6%
Operating expenses	1,383	1,178	17%	467	402	16%
Profit before taxation	4,534	4,113	10%	1,478	1,435	3%
Taxation	(713)	(635)	12%	(241)	(215)	12%
Profit attributable to shareholders	3,821	3,478	10%	1,237	1,220	1%
Basic earnings per share	\$3.55	\$3.23	10%	\$1.15	\$1.13	2%
Diluted earnings per share	\$3.54	\$3.22	10%	\$1.15	\$1.13	2%
	At 30 Sept 2011			At 31 Dec 2010		Change
KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Shareholders' funds (\$m)	7,855			8,677		(9%)
Total assets ¹ (\$m)	71,954			47,884		50%
Net assets per share ² (\$)	7.29			8.06		(10%)

Notes:

- The Group's total assets include the Margin Funds received from Participants on futures and options contracts.
- Based on 1,077,433,983 shares as at 30 September 2011, being 1,079,139,163 shares issued and fully paid less 1,705,180 shares held for the Share Award Scheme (31 December 2010: 1,076,436,353 shares, being 1,078,092,346 shares issued and fully paid less 1,655,993 shares held for the Share Award Scheme)

CHAIRMAN'S STATEMENT

The volatility of the global stock markets increased during the third quarter of 2011 especially in September. This was mainly because of fears of a global slowdown due to several factors: the Eurozone sovereign debt crisis, concern over the US economy, and closer to home, whether China can maintain her GDP growth at a persistently high rate. Currencies and commodity prices have also experienced ups and downs seemingly unconnected to fundamentals. The markets remain sceptical about the fiscal policies adopted by world leaders for the recovery of the global economy. Notwithstanding these challenges, Asia's economies are more likely to weather any further deterioration better than their western counterparts.

Amid high volatility in our markets, our profit attributable to shareholders for the first nine months was \$3.8 billion, compared with \$3.5 billion a year ago. IPO funds raised during the period reached \$194.4 billion, an increase of 21 per cent against that of the same period last year. For this nine-month period, the average daily turnover value in the Cash Market grew by 16 per cent year-on-year to \$73.2 billion. The average daily number of futures and options contracts traded in the Derivatives Market also increased by 34 per cent year-on-year.

HKEx remains firmly committed to operating and maintaining fair, transparent, and orderly markets with prudent risk management. One of the measures taken after the organised attacks on the HKExnews website was the establishment of a Review Committee by the Board to examine our IT security and contingency plans with the aim of preventing other attacks as well as avoiding disruption to the service provided by the HKExnews website. Along with our decision to establish a new clearing house by the end of 2012 to provide a stable, transparent, and efficient platform for the clearing of OTC traded derivatives, we have proposed clearing house risk management reform measures to reinforce the stability of our Cash and Derivatives Markets for market consultation.

The announcement by the Central Government that Hong Kong is nominated to be the offshore RMB centre presents us with the opportunity to introduce RMB products on the Exchange. We believe this will not only be welcomed by investors, near and far, but will also be necessary in the internationalisation of the RMB. We have been working closely with the market in this respect as well as with our Dual Tranche Dual Counter (DTDC) HKD/RMB model and our RMB Equity Trading Support Facility (RMB Equity TSF).

As announced in August, we are in discussion with the Shanghai Stock Exchange and the Shenzhen Stock Exchange on the establishment of a joint venture company in Hong Kong to explore and develop possible areas of business cooperation, including the development of index and other equity derivatives products and compilation of new indices. We have not yet signed an agreement, but this initiative will further cement the close relationship we have with our Mainland counterparts.

Further in October, we, as the initial China exchange representative, entered into an alliance with the stock exchanges of the other BRICS (Brazil, Russia, India, and South Africa) markets for the cross listing of their respective benchmark equity index derivatives and the furtherance of new cross-market product development opportunities. I believe that the initiative will enable investors worldwide to gain exposure to the BRICS' economies. From a global perspective this alliance points to the growing relevance of the BRICS' economies and financial markets in the coming decade and further underlines the *raison d'être* for the BRICS relationship. In addition, we signed an MOU with Kazakhstan's Eurasian Trading System Commodity Exchange Joint Stock Company, an important commodities exchange in Kazakhstan with both physical and derivatives products in agriculture, energy and metal, on cooperation and the exchange of information. The move marks an important step forward for HKEx in collaborating with one of the world's fastest growing economies and forms a good base for future cooperation between the two markets.

Looking ahead, Hong Kong's financial markets are still exposed to a number of risks and uncertainties due to global financial issues. At HKEx, we will continue to focus on and uphold our robust regulatory regime for the sustainable growth of our financial markets. I take this opportunity to reaffirm our commitment to developing and maintaining engagement with our stakeholders with the aim of achieving shared sustainable value in the longer run. Reform and market development may produce some short term challenges, but I believe our stakeholders will embrace them for the long term benefit of Hong Kong.

Ronald Joseph ARCULLI
Chairman

CHIEF EXECUTIVE'S REVIEW

In spite of the volatile market conditions in the third quarter of 2011, we are on track in executing various strategic initiatives. I would like to provide here a review of our business during this period.

Market Performance

Clouded by worries about the European debt crisis, the global capital market experienced an extremely volatile period during July-September. As an integral part of the global market, Hong Kong was not exempt from the sell-off: our equities market's total value was down 23 per cent between 30 June and 30 September; the HSI was down 21 per cent during the same period. Our volatility index increased from 18.54 points on 30 June to 42.77 points on 30 September.

Amid the market turmoil, the momentum for listing slowed down: a total of 22 companies (including 1 transfer from GEM) were newly listed on the Stock Exchange in the third quarter, compared to 28 companies (including 5 transfers from GEM) in the same period of 2010. However, turnover remained strong in both the Cash and Derivatives Markets. For the third quarter, the average daily trading value in the Cash Market reached \$72.6 billion, up 17 per cent on a year-on-year basis. In the Derivatives Market, the average daily turnover reached 304,229 futures and index options contracts on the Futures Exchange and 348,598 stock options contracts on the Stock Exchange, up 49 per cent and 61 per cent respectively from the same period in 2010. Eight of the Futures Exchange's index derivatives had record-high volume days in the third quarter.

International Listings

Attracting international companies to list in Hong Kong continues to be one of our key strategic goals. In spite of the volatility in the markets, the momentum for international listings remained strong in the third quarter. A total of 4 international companies either issued new shares through an IPO or were listed in Hong Kong without an IPO during the period, bringing the total number of international listings in the first nine months of the year to 12. We continued our issuer marketing efforts around the world, including visits to Brazil, Italy, Mongolia, Russia, and 14 other countries.

Market Structure and Platform Infrastructure Improvements

We started consultation on the proposed clearing house risk management reform measures in early July this year. It is in our belief that the proposed reform measures are critical to strengthening the clearing houses' risk management capability and increasing the resilience of Hong Kong's financial markets as a whole.

We have also completed market consultation on after-hours futures trading, and we are in the process of preparing the consultation conclusions. The after-hours futures trading session, if launched, would bring additional business opportunities for our HKFE Participants.

On the IT infrastructure front, AMS/3.8 is on schedule to be launched in December this year. It is our goal to enhance our markets' overall competitiveness so that all our stakeholders can continue to prosper. More information about these initiatives is set out in the Business Review.

While we devote a lot of focus and resources to upgrading our systems and keeping them at a competitive level, we never lose sight of system reliability and stability. We strive to maintain a high level of stability for all our systems and our core systems including trading, clearing and

settlement, and market data systems did achieve 100 per cent uptime in the first nine months of this year. However, we experienced a hacking incident on the HKExnews website on 10-12 August. HKExnews is the website where we publish regulatory disclosures submitted by listed issuers. After the hacking happened, we followed our regulatory disclosure regime and suspension policy. The trading in the equity securities of 7 issuers, including HKEx, which submitted regulatory disclosures around noon on 10 August was suspended during that afternoon. Trading in the related structured products was also suspended. The website returned to normal on the same evening. We also announced interim and long term follow-up measures shortly after the incident. The incident exemplified how critical system safety is to us and we will continue to put tremendous amount of management focus and investment into maintaining stable, reliable systems.

RMB Business Development

We have completed the last mile of developing the RMB Equity TSF, which is intended to enable investors to invest in RMB-traded shares using their readily available currency, HKD.

As to developing feasible IPO models for RMB-traded shares, we continue to market the DTDC model to key stakeholders. The DTDC model is one of the ways for companies to issue RMB shares in Hong Kong. The main feature of the DTDC model is to allow companies to issue RMB-traded shares and HKD-traded shares and to allow both types of shares to list in Hong Kong. On 2 September, we co-hosted a seminar with The Chamber of Hong Kong Listed Companies, targeting existing listed issuers in Hong Kong. We have since seen a lot of interest from the market for this model. Ultimately, successful listings via the DTDC model depend on a number of factors, including issuers' interest and market demand. We will continue to play the role of facilitator for RMB equity products.

More information about the RMB-related business is set out in the Business Review.

We are now more than halfway through our Strategic Plan 2010-2012 in terms of time. In spite of the progress made, the challenge of fully implementing the plan is still great. We will continue to dedicate ourselves to this task with diligence and determination.

LI Xiaojia, Charles

Director and Chief Executive

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing

Rule Amendments

The Exchange continued its effort to streamline the Listing Rule requirements and further enhance the quality of the market. In October 2011, the following consultation conclusions and the relevant Rule amendments were published:

Proposals	Effective date of Listing Rule amendments
• Changes to requirements for the listing of debt issues to professional investors only	11 November 2011
• Changes to property valuation requirements	1 January 2012
• Changes to the Corporate Governance Code (Code) and associated Listing Rules	
– most Rule amendments;	1 January 2012
– the Code and certain Rule amendments; and	1 April 2012
– new Rule requiring the issuer to appoint independent non-executive directors representing at least one-third of the board	31 December 2012

Details of the consultation conclusions were published on the HKEx website.

Development of ESG Reporting Guide

HKEx organised 5 seminars and 10 workshops on Environmental, Social and Governance (ESG) reporting for listed companies between May and July this year, with a view to raising ESG awareness and encouraging listed companies to start ESG reporting. HKEx received positive feedback from the participants who attended the seminars or workshops.

The draft ESG Reporting Guide, the seminar and workshop materials, and the frequently asked questions are available on the HKEx website. HKEx plans to conduct a public consultation on the draft ESG Reporting Guide later this year, and may, subject to demand, consider providing more training on this area in the future.

Enhancement of Continuing Disclosure among Listed Companies

The Exchange provides input and support on an on-going basis to the Hong Kong Government regarding the proposed statutory codification of certain requirements to disclose price sensitive information by listed corporations as formulated in the Securities and Futures (Amendment) Bill 2011. HKEx will consult the market, at an appropriate stage, on the consequential amendments to the relevant sections of the Listing Rules.

RMB-related Business

RMB Products

Currently, there are 11 RMB-denominated debt securities and 1 RMB-denominated REIT listed for trading on the Exchange. Up to 30 September 2011, a total of 365 EPs, which contributed around 90 per cent of the total market turnover for September 2011, had confirmed their readiness for dealing in and/or clearing of RMB securities.

HKEx is ready to support the DTDC model which enables simultaneous offering and listing of both HKD-traded shares and RMB-traded shares on the Exchange by an issuer through an IPO or by an existing issuer with HKD-traded shares that wishes to raise RMB. Regardless of the counter in which the shares will be traded, the shares will rank *pari passu* in respect of shareholders' rights and entitlements.

Under the DTDC model, trades in the HKD and RMB counters will be cleared and settled separately under CCASS. Inter-counter transfer through the share registrar of the issuer or CCASS is permissible. CCASS will be enhanced to receive multi-counter transfer instructions electronically through CCASS terminals.

HKEx organised altogether 7 briefing sessions in September 2011 for EPs' better understanding of the trading arrangements under the DTDC model and the related clearing and settlement arrangements. The briefing sessions were well received with over 1,000 attendees.

RMB Equity TSF

The system enhancements to support the introduction of the RMB Equity TSF were completed in October 2011. The RMB Equity TSF aims to facilitate buying RMB-traded shares in the secondary market with HKD by sourcing RMB from one or more banks in Hong Kong and providing the RMB through its participating brokers to investors who wish to buy RMB shares in the secondary market but have difficulty obtaining RMB. As of 31 October 2011, a total of 34 brokers and custodians have registered to provide the RMB Equity TSF service to their clients.

RMB-denominated Futures and Options Contracts

HKEx obtained regulatory approval of the rule amendments for the introduction of RMB-denominated stock options based on RMB-denominated underlying stocks listed on the Stock Exchange. In addition, Options Trading Exchange Participants and HKFE Participants are invited to review their systems in preparation for the trading of RMB-denominated futures and options contracts. Related system testing is tentatively scheduled for January 2012.

HKCC and SEOCH have enhanced their clearing capabilities to support RMB-settled futures and options, including stock options. HKCC and SEOCH will continue to work with CPs and other market participants in their preparation for RMB business.

Cash Market

Market Performance

In the nine months ended 30 September 2011, 61 companies were newly listed on the Main Board (including 11 transfers from GEM), and 8 on GEM. Total capital raised, including post-listing funds, reached \$362.8 billion. As at 30 September 2011, 1,301 and 166 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about \$16,225 billion.

In addition, there were 4,778 DWs, 642 CBBCs, 9 REITs, 76 ETFs and 183 debt securities listed on 30 September 2011. The average daily turnover value in the first nine months of 2011 was \$72.9 billion on the Main Board and \$288 million on GEM.

Development of ETF Market

During the first nine months of 2011, 7 ETFs were newly listed on the Exchange. At the end of September 2011, there were 76 listed ETFs, 14 ETF managers and 23 ETF market makers. In August 2011, the SFC began requiring synthetic ETFs to achieve at least 100 per cent collateralisation to ensure that there would not be any uncollateralised counterparty risk exposure. The new requirements also include a prudent haircut policy, where the market value of equity collateral should be equivalent to at least 120 per cent of the related gross counterparty risk exposure.

Derivatives Market

Market Performance

In the nine months ended 30 September of 2011, there were a total of 106,054,508 contracts traded in the Derivatives Market, comprising 37,459,375 futures contracts and 68,595,133 options contracts. The average daily volumes were 204,138 futures contracts and 373,816 options contracts. On 30 September 2011, the total open interest was 9,197,003 contracts, comprising 352,341 futures contracts and 8,844,662 options contracts.

Record High Single Day Volume and Open Interest Achieved in the Third Quarter of 2011

Products	Volume		Open Interest	
	Date	Number of Contracts	Date	Number of Contracts
HSI Futures	9 Aug	235,385	–	–
Mini-HSI Futures	9 Aug	86,812	–	–
H-shares Index Futures	27 Sept	220,600	28 Sept	177,892
Mini H-shares Index Futures	9 Aug	19,556	–	–
HSCEI Dividend Point Index Futures	14 Sept	15,000	22 Sept	24,538
HSI Options	5 Aug	116,835	28 Sept	483,835
Mini-HSI Options	5 Aug	10,618	29 Aug	22,086
Flexible H-shares Index Options	26 Sept	5,770	26 Sept	6,370
Stock Futures	–	–	25 Aug	26,482
Stock Options	–	–	28 Sept	9,144,043

Introduction of Additional Contract Months in Dividend Futures

Two additional December contract months (ie, December 2014 and December 2015) of HSI and HSCEI Dividend Point Index Futures (collectively, Dividend Futures) were introduced for trading on 12 September 2011. With the additions, Dividend Futures cover maturities up to a maximum of 5 years enabling Participants and their clients to manage longer term dividend exposure.

Consultation on After-hours Futures Trading

The consultation period for the proposed introduction of after-hours futures trading ended on 8 July 2011. HKEX has completed the analysis of the respondents' comments and will publish the consultation conclusions in due course.

Clearing

Scriptless Securities Market

The Scriptless Securities Market Working Group has completed its study of the operational details of the proposed model which will form the basis for the SFC's consultation on the new subsidiary legislation under the SFO. The consultation is tentatively scheduled to be conducted in the first quarter of 2012.

Participant Services

Participant Training and Market Education

In the first nine months of 2011, HKEx and the Hong Kong Securities Institute jointly organised 10 Continuous Professional Training courses on the HKATS terminal or derivatives. There were also 6 training courses related to AMS/3 and 24 related to CCASS or DCASS. Under HKEx's joint promotion programme with EPs, a total of about 4,600 people participated in 35 briefings and 11 seminars on derivatives led by HKEx between January and September of this year.

Participant Recruitment

At the end of September 2011, there were 528 SEHK Participants and 185 HKFE Participants, including 18 SEHK Participants and 11 HKFE Participants admitted in the first nine months of 2011.

For HKSCC, there were 23,883 CCASS Participants, including 629 Investor Participants admitted in the first nine months of this year.

Market Data

BMP Service

Under the Basic Market Prices (BMP) service launched on 1 April 2011, HKEx provides basic Cash and Derivatives market data to service providers at a flat monthly fee. The service providers include IVs, EPs or their affiliates, and the 6 websites which were originally participants of the Free Prices Website Service pilot programme. The BMP service is currently available through a total of 33 websites and 15 mobile applications, and in light of the overwhelming response, the BMP service will be provided under a wider variety of platforms going forward.

Single Licence Regime

HKEx completed the implementation of the Single Licence Regime in October 2011 under which all IVs are now licensed under the new consolidated regime. The new regime streamlines the management of market data licence agreements for both HKEx and IVs by consolidating multiple market data licence agreements into a single agreement with standard contractual terms. The structure of the new agreement also supports the rollout of new and multiple datafeed products by HKEx under the MDS/3.8 and the Next Generation Market Data System (NGMDS) which are scheduled for launch by the end of 2011 and early 2013 respectively.

Enhancement of Securities Market Data Service

After the upgrade of the Derivatives Market data service earlier this year, HKEx will diversify its Cash Market data offerings by introducing an enhanced version of MDF, known as the MDF 3.8, following the upgrade of its MDS from version 3.5 to 3.8. The MDF 3.8 will double the market depth from 5 price levels to 10, and reduce its data latency by 80 per cent from 0.5 second to 0.1 second. Its stock update rate will also be doubled from 1,000 updates per second to 2,000 per second. To promote the use of better quality market data, HKEx will not increase its Cash Market data fees. In parallel with the rollout of the MDF 3.8, the current version of MDF after necessary modifications to align with AMS/3.8, will be maintained for a period of time to allow IVs to have a smoother and more flexible product migration to the MDF 3.8. The MDF 3.8 is expected to be introduced to the market in December 2011. Up to date, the vast majority of the existing direct connection Cash Market data IVs have already signed up for the MDF 3.8.

Next Generation Market Data System

HKEx is developing a new market data system, NGMDS, as the first part of the overall roadmap towards the next generation core platforms. The NGMDS will be multi-asset class, providing a common message protocol for its trading systems and enabling HKEx to distribute its market data to the Mainland. It will enable the launch of new market data products, including conflated, streaming, market-by-price, and market-by-order feeds, as well as provide customers with options of industry standard FIX/FAST or proprietary binary formats.

The NGMDS is in the design phase and is expected to be rolled out in the Cash Market in the first quarter of 2013.

Risk Management

Clearing House Risk Management Reform Measures

On 8 July 2011, HKEx published a consultation paper on HKEx Clearing House Risk Management Reform Measures to seek views on its proposals to reform the risk management framework of its 3 clearing houses.

The main proposals are to: (i) introduce a standard margin system and a Dynamic Guarantee Fund at HKSCC; (ii) revise certain price movement assumptions in the clearing houses' stress testing; (iii) revise the counterparty default assumption in the stress testing; and (iv) revise the collateral assumptions at HKCC and SEOCH.

The proposals also include the following support from HKEx to reduce the impact of any new requirements on its CPs: (i) a margin credit of \$5 million per HKSCC participant; (ii) a Dynamic Guarantee Fund credit of \$1 million per HKSCC participant; and (iii) Contingent Advance Capital to share half of the HKCC Dynamic Reserve Fund requirement of each HKCC participant.

To help market participants and other key stakeholders gain a thorough understanding of the proposed measures, HKEx has held a presentation for the media, meetings with brokers, seminars for CPs and industry associations, and a series of meetings with CPs.

The consultation ended on 28 October 2011, and we will carefully review and consider the market responses to the proposals before deciding on the way forward.

Market Surveillance

Under the MOU between the SFC and HKEx on matters relating to market surveillance, HKEx referred a total of 34 cases involving possible violations of Hong Kong laws, SFC codes and/or rules and regulations relating to its markets to the SFC for its investigation during the nine months ended 30 September 2011.

Information Technology**Production Systems' Stability and Reliability**

All major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets continue to perform with high availability.

On 10 August 2011, the HKExnews website became unstable around midday under malicious attacks in the form of Distributed Denial of Service (DDoS) attacks. The website resumed normal at around 8:00 pm. During the incident, HKEx's other systems, including all trading systems, were not affected. HKEx has implemented infrastructure enhancements to strengthen its protection against any further attacks and will pursue additional improvements to sustain the reliability and stability of its mission critical systems.

Technology Upgrades

DCASS was enhanced in June 2011 to support stock options with trading/settlement currencies other than HKD, and its capacity will be upgraded by about 60 per cent in the fourth quarter of 2011 to handle 475,000 account positions. Meanwhile, HKEx is conducting a feasibility study for an HKATS/DCASS upgrade to a new technology platform.

Following EPs' successful completion of the end-to-end testing and connectivity test for the AMS/3.8 system upgrade, HKEx conducted 2 mandatory market rehearsals for all EPs in September and October 2011 as the final verification of the market readiness before implementation of the upgrade, which is tentatively set for December 2011. The upgrade will increase system capacity 10-fold to 30,000 orders per second, which is scalable to 150,000 orders per second, and reduce order processing latency 16-fold to 9 milliseconds. When the upgrade is completed, the one-time charge for each standard increase in the order throughput rate for the securities trading system will be reduced from \$100,000 to \$50,000. HKEx will also upgrade MDS to MDS/3.8 for capacity and performance alignment with AMS/3.8.

Independent Reviews

The independent review of AMS/3.8 and MDS/3.8 commenced in June 2011. It includes a quality assurance review of the project and an assessment of the readiness of AMS/3.8 and MDS/3.8 prior to their production launch scheduled for late 2011.

In addition, HKEx has also engaged an external security consultant to benchmark its security policy against the best practices in the financial industry, particularly the e-Banking security requirements, and to introduce the necessary improvements for its security standards. The review is expected to be completed in the fourth quarter of 2011.

New Data Centre and IT Office Consolidation

The construction work for the new Data Centre in Tseung Kwan O is in progress. HKE_x aims to deliver a dust-free environment by the middle of 2012. Network infrastructure and structured cabling systems will be added after construction is completed, and IT equipment for testing will be installed thereafter. The first phase relocation of the IT office and primary data centre for the Cash Market to the new Data Centre will take place in the fourth quarter of 2012, while the consolidation of other data centres will be completed in phases until the end of 2013.

HKE_x has obtained LEED (Gold) pre-certification from the US Green Building Council following a review of the design documentation for the new Data Centre. The Gold certification is considered a high environmental standard for data centre buildings and HKE_x will continue to demonstrate its commitment towards environmental protection and sustainable development.

Other Projects to Increase Efficiency

Apart from the implementation of SPRINTS, the Structured Products Integrated Transaction System, in the second quarter of 2011 to facilitate automation of the approval process for DW and CBBC listing applications, HKE_x is developing a system to streamline document management and further enhance efficiency in the Listing Division. HKE_x aims to roll out the new Enterprise Content Management system before the end of this year.

For office automation, HKE_x is upgrading its corporate personal computers and productivity tools for alignment with the software vendor's product lifecycle. The project will be completed by the end of this year.

Market Development**OTC Clearing**

In the past few months, HKE_x has been working closely with the SFC, the Hong Kong Government, the Hong Kong Monetary Authority, and other stakeholders on building a regulatory regime for the OTC derivatives market in Hong Kong, particularly those which are relevant to the clearing of standardised OTC derivatives transactions through an authorised clearing house. In this regard, HKE_x is now seeking advice from an international law firm on regulatory and legal issues in relation to its OTC clearing initiative.

Since late September 2011, HKE_x has been an active contributor to the Treasury Markets Association Subgroup on Central Counterparty, with the aim of addressing the development of a local repository, a new clearing house, and a regulatory framework for the OTC derivatives market in Hong Kong. HKE_x is working on a brand new OTC clearing system required for the operation of the new OTC clearing house, and has completed its evaluation of the clearing and risk management platform proposed by the 2 shortlisted system providers. HKE_x will start meeting with potential participants in the coming months for the purpose of devising a detailed on-boarding programme. HKE_x remains committed to a stable, transparent, and efficient solution for the clearing of Hong Kong's OTC derivatives by the end of 2012.

Issuer Marketing

During the period under review, HKEx continued to focus on selected overseas markets to introduce the Exchange as one of the most vibrant capital raising platforms globally, particularly for natural resource and luxury brand companies. HKEx's Chief Marketing Officer accepted the invitation of the Government of the Republic of Kazakhstan to speak at the Astana Mining & Metallurgy Congress held in Astana on 4 July 2011 to market the Exchange as a fund-raising platform for Kazakh mining and resource companies. HKEx also targeted the natural resource sector as well as consumer-related companies during its recent visits to Australia and Brazil, while European luxury brands and other sectors were the focus of recent marketing work in France, Italy, and the United Kingdom. Marketing trips were also made to Japan, Korea, and Malaysia in the past few months. Along with activities to attract overseas-listed Mainland and Hong Kong companies to list in Hong Kong, HKEx has increased its effort to promote RMB IPOs and secondary offerings through well-attended seminars at the Exchange Auditorium.

In October 2011, HKEx participated in the Hong Kong-Guangxi Financial Cooperation Symposium in Hong Kong as a co-organiser with a view to promoting the listing and fund-raising platform in Hong Kong to Guangxi enterprises. HKEx took this opportunity to sign an MOU with the Guangxi Zhuang Autonomous Region's Financial Affairs Office on cooperation and the exchange of information. In addition, HKEx and the Administrative Committee of Zhongguancun Science Park in Beijing signed an MOU on cooperation and the exchange of information to encourage enterprises based in Zhongguancun to accelerate their development through listing and raising funds in the international capital market.

In the Mainland, HKEx continued to identify listing prospects and spoke at marketing events in Anhui, Beijing, Fujian, Guangdong, Hebei, Hubei, Jiangsu, Shandong, Shanghai, Sichuan, and Zhejiang. In the third quarter of 2011, the Exchange co-organised 6 seminars about listing in Hong Kong in various major cities of the Mainland.

Issuer Services

To boost the visibility of listed companies and improve communication between listed companies and the investment community, HKEx launched in October 2011 a series of issuer services including (i) "Know the Listed Companies" monthly conferences with representatives from listed companies of the same industry, sector, or theme to brief the audience from institutional investors, analysts, EPs and other market professionals, on the most updated company information; and (ii) market open ceremonies providing representatives and guests of listed companies the unique opportunity to open HKEx's securities market at the Trading Hall to mark the start of the trading day.

At a later date, HKEx also plans to offer referral based market intelligence and communications services to facilitate listed companies' understanding of their shareholders.

Mainland Development

In August and September 2011, HKEx organised and hosted one-week and four-week programmes on Hong Kong's securities market for 21-person and 4-person delegations respectively, from the CSRC offices in more than 17 Mainland cities. The programmes were the first of a series of HKEx's programmes for CSRC officials. They included meetings with HKEx's Listing Division and visits to other key authorities in Hong Kong. There was also a presentation on the work of CSRC from an insider's perspective made by CSRC officials who spoke to a group of HKEx's employees in the Exchange Auditorium.

Market Surveys

HKEx conducted its Derivatives Market Transaction Survey 2010/11 in the third quarter of 2011 and will publish the survey report in due course. The Cash Market Transaction Survey 2010/11 has been started and is expected to be completed by the end of this year. The findings of these surveys help keep track of the degree of participation of different investor types in HKEx's derivatives and securities markets. HKEx will conduct a further survey before the end of this year to get the latest trend and characteristics of retail investor participation in its markets.

Other Promotional Activities

In the third quarter of 2011, HKEx's Chairman continued to help promote Hong Kong's financial markets by speaking at various conferences such as the 2nd Russia - Capital Raising and Investment Summit, the Hong Kong Institute of Bankers 3rd Annual Banking Conference, and the Kazakh Equity Capital Raising & Investment Forum. In September 2011, HKEx's Chief Executive and Chief Marketing Officer participated in the 18th CLSA Investors' Forum in Hong Kong and the 7th Asia-Pacific New Markets Forum & 2011 Capital Market Forum in Taipei respectively. These events provided opportunities to introduce HKEx and its markets.

Before attending the 51st World Federation of Exchanges General Assembly and Annual Meeting in Johannesburg on 11 to 13 October 2011, HKEx's Chairman joined the senior executives in their marketing activities in South Africa. Apart from meeting the President of the Republic of South Africa to introduce HKEx and Hong Kong's financial markets, the Chairman also participated in events held by the Durban Chamber of Commerce and Industry and other organisations, and met with potential issuers and intermediaries to promote the Exchange. On 25 October 2011, HKEx's Chairman spoke at the Bloomberg China Conference and he was a panelist at the China Daily Asia Leadership Roundtable on 4 November 2011.

Treasury

The Group's funds available for investment comprise Corporate Funds, cash collateral, Margin Funds and Clearing House Funds, totalling \$46.7 billion on average for the nine months ended 30 September 2011 (30 September 2010: \$38.0 billion).

As compared with 30 June 2011, the overall size of funds available for investment as at 30 September 2011 increased by 43 per cent or \$19.1 billion to \$64.0 billion (30 June 2011: \$44.9 billion). Details of the asset allocation of the investments as at 30 September 2011 against those as at 30 June 2011 are set out below.

	Investment Fund Size \$bn		Bonds *		Cash or Bank Deposits *		Global Equities	
	Sept	Jun	Sept	Jun	Sept	Jun	Sept	Jun
Corporate Funds	11.8	10.3	43%	50%	54%	47%	3%	3%
Cash collateral	5.8	4.5	0%	0%	100%	100%	0%	0%
Margin Funds	44.5	26.3	14%	21%	86%	79%	0%	0%
Clearing House Funds	1.9	3.8	19%	9%	81%	91%	0%	0%
Total	64.0	44.9	18%	25%	81%	74%	1%	1%

* Included certain principal-guaranteed structured notes and deposits

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the cash collateral, Margin Funds and Clearing House Funds. Excluding equities held under the Corporate Funds (\$0.4 billion as at 30 September 2011 and \$0.3 billion as at 30 June 2011), which have no maturity date, the maturity profiles of the remaining investments as at 30 September 2011 (\$63.6 billion) and 30 June 2011 (\$44.6 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	
	Sept	Jun	Sept	Jun	Sept	Jun	Sept	Jun	Sept	Jun	Sept	Jun
	Corporate Funds	11.4	10.0	21%	20%	20%	2%	25%	40%	22%	25%	12%
Cash collateral	5.8	4.5	79%	67%	2%	7%	19%	26%	0%	0%	0%	0%
Margin Funds	44.5	26.3	33%	18%	19%	15%	42%	57%	5%	10%	1%	0%
Clearing House Funds	1.9	3.8	61%	75%	12%	11%	27%	9%	0%	5%	0%	0%
Total	63.6	44.6	36%	28%	17%	11%	37%	46%	7%	12%	3%	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 September 2011, had a weighted average credit rating of Aa3 (30 June 2011: Aa2) and a weighted average maturity of 1.9 years (30 June 2011: 1.6 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 third quarter of 2011 and the second quarter of 2011 was as follows:

	Average VaR \$m		Highest VaR \$m		Lowest VaR \$m	
	Jul-Sept	Apr-Jun	Jul-Sept	Apr-Jun	Jul-Sept	Apr-Jun
	Corporate Funds	21.2	24.7	23.4	27.2	19.7
Cash collateral	0.3	0.2	0.3	0.3	0.2	0.1
Margin Funds	4.9	5.8	7.2	7.4	3.7	4.8
Clearing House Funds	0.7	1.4	1.8	1.8	0.1	0.6

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	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Change
RESULTS				
Revenue and other income:				
Income affected by market turnover	(A)	4,120	3,488	18%
Stock Exchange listing fees	(B)	714	657	9%
Market data fees	(C)	491	495	(1%)
Other revenue	(D)	357	319	12%
Net investment income	(E)	235	332	(29%)
		5,917	5,291	12%
Operating expenses		1,383	1,178	17%
Profit before taxation		4,534	4,113	10%
Taxation		(713)	(635)	12%
Profit attributable to shareholders		3,821	3,478	10%

The Group recorded a profit attributable to shareholders of \$3,821 million for the first nine months of 2011 (first quarter: \$1,238 million; second quarter: \$1,346 million; third quarter: \$1,237 million) compared with \$3,478 million for the same period in 2010 (2010 first quarter: \$1,127 million; second quarter: \$1,131 million; third quarter: \$1,220 million).

The rise in profit for the nine months ended 30 September 2011 against that for 2010 was primarily attributable to higher turnover-related income resulting from an increase in activity on the Cash and Derivatives Markets and Stock Exchange listing fees but was partly offset by a decrease in net investment income due to the downturn of the markets caused by worries over the Eurozone sovereign debt crisis and economic uncertainty in the third quarter.

Total operating expenses increased over the same period in 2010 mainly due to higher staff costs and an increase in IT and computer maintenance expenses for services and goods consumed by the Participants.

Revenue and Other Income

(A) Income Affected by Market Turnover

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Change
Trading fees and trading tariff	2,266	1,942	17%
Clearing and settlement fees	1,268	1,085	17%
Depository, custody and nominee services fees	586	461	27%
Total	4,120	3,488	18%

The increase in trading fees and trading tariff was mainly attributable to higher turnover of the Cash and Derivatives Markets for the first nine months of 2011 against the same period in 2010.

Clearing and settlement fees are derived predominantly from Cash Market transactions. The increase in clearing and settlement fees for the first nine months of 2011 was in line with the higher turnover of the Cash Market.

Depository, custody and nominee services fees mainly comprise scrip fees, corporate action fees, stock custody fees, dividend collection fees, and stock withdrawal fees. The 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. Depository, custody and nominee services fees rose during the first nine months of 2011 primarily due to an increase in scrip fees, stock withdrawal fees, and dividend collection fees.

Key Market Indicators

	Nine months ended 30 Sept 2011	Nine months ended 30 Sept 2010	Change
Average daily turnover value on the Stock Exchange (\$bn)	73.2	63.1	16%
Average daily number of derivatives contracts traded on the Futures Exchange	268,850	212,953	26%
Average daily number of stock options contracts traded on the Stock Exchange	309,104	219,892	41%

(B) Stock Exchange Listing Fees

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Change
Annual listing fees	329	295	12%
Initial and subsequent issue listing fees	381	359	6%
Others	4	3	33%
Total	714	657	9%

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

Key Drivers for Annual Listing Fees

	At 30 Sept 2011	At 30 Sept 2010	Change
Number of companies listed on Main Board	1,301	1,194	9%
Number of companies listed on GEM	166	171	(3%)
Total	1,467	1,365	7%

Key Drivers for Initial and Subsequent Issue Listing Fees

	Nine months ended 30 Sept 2011	Nine months ended 30 Sept 2010	Change
Number of newly listed DWs	5,641	5,123	10%
Number of newly listed CBBCs	3,781	4,728	(20%)
Number of newly listed companies on Main Board	61	54	13%
Number of newly listed companies on GEM	8	4	100%
Total equity funds raised on Main Board			
– IPOs (\$bn)	193.6	160.2	21%
– Post-IPO (\$bn)	163.1	167.8	(3%)
Total equity funds raised on GEM			
– IPOs (\$bn)	0.8	0.2	300%
– Post-IPO (\$bn)	5.3	7.6	(30%)

(C) Market Data Fees

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Change
Market data fees	491	495	(1%)

Market data fees fell marginally as certain Cash Market data fees charged on a per quote basis dropped compared with the same period in 2010.

(D) Other Revenue

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Change
Network, terminal user, dataline and software sub-license fees	281	252	12%
Participants' subscription and application fees	26	26	0%
Trading booth user fees	12	12	0%
Sales of Trading Rights	16	7	129%
Miscellaneous revenue	22	22	0%
Total	357	319	12%

Network, terminal user, dataline and software sub-license fees increased mainly due to an increase in Cash Market trading system line rental income, higher sales of hardware and software, and a rise in Derivatives Market trading system sub-license fees.

(E) Net Investment Income

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Change
Gross investment income	237	335	(29%)
Interest rebates to Participants	(2)	(3)	(33%)
Net investment income	235	332	(29%)

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

	Nine months ended 30 Sept 2011 \$bn	Nine months ended 30 Sept 2010 \$bn	Change
Corporate Funds	10.8	9.1	19%
Cash collateral	4.3	3.6	19%
Margin Funds	28.4	23.0	23%
Clearing House Funds	3.2	2.3	39%
Total	46.7	38.0	23%

The average amount of Corporate Funds increased mainly due to an increase in profit retained from prior years and the higher profit generated during the period.

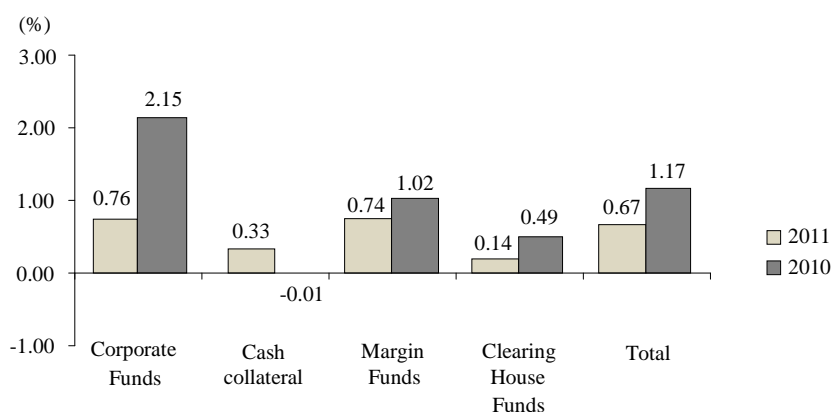
The significant rise in the average amount of Margin Funds available for investment during the period was primarily caused by the higher margin rate required per contract and increases in open positions.

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

The lower net investment income was primarily attributable to higher fair value losses of equity investments of Corporate Funds and a drop in fair value gains on Margin Fund investments, reflecting market movements. The fall in net investment income was partly offset by an increase in net interest income of all funds due to an increase in fund size and higher HKD money market interest rates.

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

Annualised Net Return on Funds Available for Investment



The lower net return of Corporate Funds was mainly due to higher fair value losses on equity investments and a decrease in fair value gains of investments, including certain principal-guaranteed structured notes and deposits, during the period when compared with the corresponding period in 2010, reflecting market movements.

The higher net return of cash collateral during the period in 2011 was mainly attributable to the allocation of a portion of the funds to longer-term time deposits for yield enhancement.

The lower net return of Margin Funds during the period in 2011 was mainly due to a drop in fair value gains on investments, which included certain principal-guaranteed structured notes and deposits.

The lower net return of the Clearing House Funds during the period in 2011 was mainly attributable to fair value losses of investments, which included certain principal-guaranteed structured notes, during the period, as opposed to fair value gains of investments for the corresponding period in 2010.

As the valuation of the investments reflects movements in their market prices, fair value gains and losses may fluctuate until the investments are sold or mature.

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

Operating Expenses

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Change
Staff costs and related expenses	793	645	23%
IT and computer maintenance expenses	222	195	14%
Premises expenses	161	158	2%
Product marketing and promotion expenses	11	11	0%
Legal and professional fees	25	10	150%
Depreciation	70	79	(11%)
Other operating expenses	101	80	26%
Total	1,383	1,178	17%

Staff costs and related expenses increased by \$148 million, primarily due to higher salary costs as a result of a 6 per cent increase in permanent headcount (from 857 at 30 September 2010 to 910 at 30 September 2011) mainly for various new initiatives under the Strategic Plan 2010-2012, salary adjustments to keep up with the market trend, an increase in employee share-based compensation expenses from the Awarded Shares granted in 2010, and an increase in performance bonus accrual.

IT and computer maintenance expenses consumed by the Group, excluding costs of services and goods directly consumed by the Participants of \$110 million (2010: \$89 million), were \$112 million (2010: \$106 million). The rise in costs of services and goods directly consumed by the Participants was caused by an increase in Cash Market trading system line rentals due to a bandwidth upgrade and purchases of hardware and software for replacement of obsolete items by the Participants. Costs of services and goods directly consumed by the Participants are mostly recovered from the Participants and the income is included as part of the network, terminal user, dataline and software sub-license fees under Other Revenue.

Legal and professional fees increased on account of various initiatives such as OTC clearing, the RMB Equity TSF, and enhancement of the Group's internet security.

Depreciation decreased as certain fixed assets became fully depreciated.

Other operating expenses rose mainly due to fees for additional bank credit facilities for strengthening the Group's liquidity and risk management measures, an increase in index licence fees due to growth in the number of derivatives contracts traded, higher advertising costs, increased overseas travel expenses for various initiatives, and sundry increases in other expenses.

Taxation

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Change
Taxation	713	635	12%

Taxation increased mainly due to an increase in profit before taxation.

Comparison of 2011 Third Quarter Performance with 2011 Second Quarter Performance

	Three months ended 30 Sept 2011 \$m	Three months ended 30 Jun 2011 \$m	Change
Revenue and other income:			
Income affected by market turnover:			
Trading fees and trading tariff	801	700	14%
Clearing and settlement fees	441	409	8%
Depository, custody and nominee services fees	192	322	(40%)
	1,434	1,431	0%
Stock Exchange listing fees	247	221	12%
Market data fees	159	164	(3%)
Other revenue	111	119	(7%)
Net investment (loss) / income	(6)	130	(105%)
	1,945	2,065	(6%)
Operating expenses	467	474	(1%)
Profit before taxation	1,478	1,591	(7%)
Taxation	(241)	(245)	(2%)
Profit attributable to shareholders	1,237	1,346	(8%)

Profit attributable to shareholders decreased from \$1,346 million in the second quarter of 2011 to \$1,237 million in the third quarter. The decrease was mainly attributable to lower depository, custody and nominee services fees and a net investment loss, but was partly offset by an increase in trading fees and trading tariff.

Trading fees and trading tariff rose in the third quarter due to increased activity on the Cash and Derivatives Markets. On the other hand, depository, custody and nominee services fees fell significantly as a result of a decrease in scrip fee income due to seasonal fluctuations.

The net investment loss during the third quarter was mainly attributable to fair value losses on investments measured at fair value (including equities and certain principal-guaranteed structured notes and deposits), reflecting market movements caused by the market downturn.

Key Market Indicators

	Three months ended 30 Sept 2011	Three months ended 30 Jun 2011	Change
Average daily turnover value on the Stock Exchange (\$bn)	72.6	71.1	2%
Average daily number of derivatives contracts traded on the Futures Exchange	304,229	254,175	20%
Average daily number of stock options contracts traded on the Stock Exchange	348,598	276,966	26%

Working Capital

Working capital fell by \$478 million or 7 per cent to \$5,896 million at 30 September 2011 (31 December 2010: \$6,374 million). The decrease was primarily due to the payment of the 2010 final dividend of \$2,384 million in May 2011, the 2011 interim dividend payable of \$2,327 million, and an increase in fixed assets of \$308 million, which were partly offset by the profit generated during the nine months ended 30 September 2011 of \$3,821 million, a decrease in non-current financial assets of \$664 million, and an increase in other working capital of \$56 million.

Capital Expenditures and Capital Commitments

During the first nine months of 2011, the Group incurred capital expenditures of \$378 million (2010: \$69 million) which were mainly on the new Data Centre at Tseung Kwan O with hosting service capability and the upgrade of the Cash Market trading system and MDS.

The Group's capital expenditure commitments at 30 September 2011, including those authorised by the Board but not yet contracted for, amounted to \$1,862 million (31 December 2010: \$2,075 million) and were mainly related to the construction of the new Data Centre at Tseung Kwan O, the upgrade and enhancement of trading and clearing systems, and other initiatives. The Group has adequate internal resources to fund its capital expenditure commitments.

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.

At 30 September 2011, the aggregate net open foreign currency positions amounted to HK\$2,065 million, of which HK\$350 million were non-USD exposures (31 December 2010: HK\$2,401 million, of which HK\$375 million were non-USD exposures), with the maximum gross nominal value of outstanding forward foreign exchange contracts amounting to HK\$5,280 million (31 December 2010: HK\$3,749 million). All forward foreign exchange contracts will mature within 2 months (31 December 2010: 2 months).

Foreign currency margin deposits received by the Group are mainly hedged by investments in the same currencies and unhedged investments in USD may not exceed 20 per cent of the Margin Funds.

Contingent Liabilities

There were no significant changes in the Group's contingent liabilities from the information disclosed in the annual report for the year ended 31 December 2010.

Changes since 31 December 2010

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2010.

It is the Group's plan to declare dividend only at the half-year and year-end. Therefore, no dividend will be proposed for the quarter ended 30 September 2011 (third quarter of 2010: \$Nil).

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

Review of Accounts

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2011 in conjunction with HKEx's external auditor.

The external auditor has carried out certain agreed-upon procedures in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants on the unaudited condensed consolidated financial statements for the nine months ended 30 September 2011.

OPERATIONAL REVIEW

Organisational Change

To further strengthen HKEx's operations and support the continuing implementation of the HKEx Strategic Plan 2010-2012, a number of new appointments and senior personnel changes took place in the third quarter of 2011.

HKEx appointed Mr Joseph Meyer as its first Chief Administrative Officer effective 8 July 2011 to oversee the office administration and human resources functions, and appointed Ms Sylvia Hoosen as Head of Human Resources from 16 September 2011 upon the retirement of Ms Brenda Yen on 3 August 2011.

On 3 October 2011, Mr Richard Leung joined HKEx as the new Co-Head of the Information Technology Division (ITD) to work with the Platform Development to spearhead a number of strategic system developments including the NGMDS and securities trading system as well as the central gateway development. Effective 1 January 2012, Mr Roger Lee, currently Co-Head of ITD, will return to the Listing Division as Head of Listing Operations. Mr Lee will be responsible for managing the operations supporting issuer public disclosure filings, and the operations, regulation, and policies concerning issuance of structured products and debts. Meanwhile, Mr Lee will continue leading the cross-divisional project team to develop the new Data Centre until its completion.

The updated organisational chart and functions of the management team are available on the HKEx website.

Corporate Governance

The Government Appointed Directors and HKEx's Chief Executive in his capacity as a Director are not subject to election or re-election by 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 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.

As of 31 August 2011, the Global and Home Market Ratings assigned to HKEx by GovernanceMetrics International Inc, a corporate governance ratings and research firm, were 8 and 10 respectively, out of the maximum of 10. On 1 November 2011, HKEx received the Best Report Award in the 2011 HKMA Best Annual Reports Awards organised by The Hong Kong Management Association for the second consecutive year.

HKEx continued to engage an external consultant to conduct an independent evaluation of the performance of the Board and its committees in 2011 with a view to assessing whether the Board, committees and their members have fulfilled their responsibilities effectively, and identifying areas for improvement. The evaluation results will be announced early next year.

The Company's corporate governance information is set out in the Corporate Governance section of the HKEx website.

Corporate Social Responsibility

HKEx continues to be included in the FTSE4Good Index Series, the Hang Seng Corporate Sustainability Index Series and the Dow Jones Sustainability Asia Pacific Index.

With the aim of achieving further improvements, the Environmental, Social and Governance Committee in September 2011, approved the corporate social responsibility (CSR) strategy going forward to harness HKEx's core competencies in a way that benefits the Company and the community at large.

To recognise and encourage employees who serve the community as volunteers, the annual HKEx Volunteer Recognition Ceremony, hosted by HKEx's Chief Executive, was held in August 2011. During the ceremony, 28 employees who contributed between 20 to 200 volunteer service hours in 2010 were presented respectively with individual Volunteer Awards issued by HKEx, Certificates for Volunteer Service issued by the Hong Kong Government's Social Welfare Department and Certificates for Caring Ambassador issued by The Hong Kong Council of Social Service. In recognition of HKEx's contribution of almost 3,000 volunteer service hours in 2010, the Company received the Gold Certificate for Volunteer Service issued by the Social Welfare Department.

To further improve HKEx's environmental performance, a waste audit of all office premises was completed in October 2011 to record and review the recycling practices of the employees and to identify areas for improvement. To promote environmental education, HKEx was one of the sponsors of WWF Hong Kong's annual fundraising event "Walk for Nature 2011". Fifty employees and their family members participated in the walkathon at Mai Po to learn about environmental conservation and raised funds to support the works of WWF Hong Kong.

The Company's CSR information is set out in the Corporate Social Responsibility section of the HKEx website.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Three months ended 30 Sept 2011 \$m	Three months ended 30 Sept 2010 \$m
Trading fees and trading tariff		2,266	1,942	801	657
Stock Exchange listing fees		714	657	247	232
Clearing and settlement fees		1,268	1,085	441	358
Depository, custody and nominee services fees		586	461	192	141
Market data fees		491	495	159	160
Other revenue	3	357	319	111	115
REVENUE AND TURNOVER		5,682	4,959	1,951	1,663
Investment income/(loss)		237	335	(5)	176
Interest rebates to Participants		(2)	(3)	(1)	(2)
Net investment income/(loss)	4	235	332	(6)	174
	2	5,917	5,291	1,945	1,837
OPERATING EXPENSES					
Staff costs and related expenses		793	645	275	224
IT and computer maintenance expenses		222	195	73	67
Premises expenses		161	158	55	53
Product marketing and promotion expenses		11	11	2	3
Legal and professional fees		25	10	8	4
Depreciation		70	79	20	26
Other operating expenses		101	80	34	25
	2	1,383	1,178	467	402
PROFIT BEFORE TAXATION	2	4,534	4,113	1,478	1,435
TAXATION	5	(713)	(635)	(241)	(215)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		3,821	3,478	1,237	1,220
Basic earnings per share	7(a)	\$3.55	\$3.23	\$1.15	\$1.13
Diluted earnings per share	7(b)	\$3.54	\$3.22	\$1.15	\$1.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	At 30 Sept 2011			At 31 Dec 2010		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents	8	37,348	-	37,348	19,361	-	19,361
Financial assets measured at fair value							
through profit or loss	8	10,729	685	11,414	9,949	1,241	11,190
Financial assets measured at amortised cost	8	14,629	675	15,304	7,021	783	7,804
Accounts receivable, prepayments and deposits	8, 9	7,232	23	7,255	9,203	3	9,206
Fixed assets		-	603	603	-	295	295
Lease premium for land		-	25	25	-	25	25
Deferred tax assets		-	5	5	-	3	3
Total assets		69,938	2,016	71,954	45,534	2,350	47,884
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits from Clearing Participants on derivatives contracts		44,549	-	44,549	22,702	-	22,702
Cash collateral from HKSCC Clearing Participants		5,852	-	5,852	3,594	-	3,594
Accounts payable, accruals and other liabilities	10	8,863	-	8,863	9,946	-	9,946
Dividend payable		2,327	-	2,327	-	-	-
Deferred revenue		249	-	249	473	-	473
Taxation payable		817	-	817	320	-	320
Other financial liabilities		52	-	52	58	-	58
Participants' contributions to Clearing House Funds		1,297	-	1,297	2,039	-	2,039
Provisions		36	29	65	28	29	57
Deferred tax liabilities		-	28	28	-	18	18
Total liabilities		64,042	57	64,099	39,160	47	39,207
Equity							
Share capital				1,079			1,078
Share premium				532			416
Shares held for Share Award Scheme				(228)			(219)
Employee share-based compensation reserve				114			56
Designated reserves				578			580
Retained earnings	11			5,780			6,766
Shareholders' funds				7,855			8,677
Total liabilities and equity				71,954			47,884
Net current assets				5,896			6,374
Total assets less current liabilities				7,912			8,724

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 2010 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 2010.

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 providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Clearing House Funds.

The **Market Data** 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 market data fees of the Cash and Derivatives Markets.

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

	Nine months ended 30 Sept 2011				
	Cash Market \$m	Derivatives Market \$m	Clearing Business \$m	Market Data \$m	Group \$m
Income from external customers	2,561	646	1,983	492	5,682
Net investment income	28	169	38	-	235
	2,589	815	2,021	492	5,917
Operating expenses					
Direct costs	507	133	272	55	967
Indirect costs	202	57	129	28	416
	709	190	401	83	1,383
Reportable segment profit before taxation	1,880	625	1,620	409	4,534

	Nine months ended 30 Sept 2010				
	Cash Market \$m	Derivatives Market \$m	Clearing Business \$m	Market Data \$m	Group \$m
Income from external customers	2,282	536	1,644	497	4,959
Net investment income	77	203	52	-	332
	2,359	739	1,696	497	5,291
Operating expenses					
Direct costs	464	119	239	45	867
Indirect costs	153	42	94	22	311
	617	161	333	67	1,178
Reportable segment profit before taxation	1,742	578	1,363	430	4,113

3. Other Revenue

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Three months ended 30 Sept 2011 \$m	Three months ended 30 Sept 2010 \$m
Network, terminal user, dataline and software sub-license fees	281	252	87	89
Participants' subscription and application fees	26	26	9	9
Trading booth user fees	12	12	4	4
Sales of Trading Rights	16	7	3	3
Miscellaneous revenue	22	22	8	10
	357	319	111	115

4. Net Investment Income / (Loss)

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Three months ended 30 Sept 2011 \$m	Three months ended 30 Sept 2010 \$m
Gross interest income	182	89	79	40
Interest rebates to Participants	(2)	(3)	(1)	(2)
Net interest income	180	86	78	38
Net fair value gains/(losses) including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	45	245	(88)	135
Losses on disposal of financial assets measured at amortised cost	-	(4)	-	-
Others	10	5	4	1
Net investment income/(loss)	235	332	(6)	174

5. Taxation

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

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Three months ended 30 Sept 2011 \$m	Three months ended 30 Sept 2010 \$m
Provision for Hong Kong Profits Tax at 16.5% (2010: 16.5%)	705	634	243	210
Overprovision in respect of prior years	-	(2)	-	(2)
	705	632	243	208
Deferred taxation	8	3	(2)	7
	713	635	241	215

6. Dividends

	Nine months ended 30 Sept 2011 \$m	Nine months ended 30 Sept 2010 \$m	Three months ended 30 Sept 2011 \$m	Three months ended 30 Sept 2010 \$m
Interim dividend payable of \$2.16 (2010: \$1.89) per share	2,331	2,037	-	-
Less: Dividend for shares held by Share Award Scheme	(4)	(3)	-	-
	2,327	2,034	-	-

7. Earnings Per Share

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

(a) Basic earnings per share

	Nine months ended 30 Sept 2011	Nine months ended 30 Sept 2010	Three months ended 30 Sept 2011	Three months ended 30 Sept 2010
Profit attributable to shareholders (\$m)	3,821	3,478	1,237	1,220
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,076,912	1,076,330	1,077,353	1,076,573
Basic earnings per share (\$)	3.55	3.23	1.15	1.13

(b) Diluted earnings per share

	Nine months ended 30 Sept 2011	Nine months ended 30 Sept 2010	Three months ended 30 Sept 2011	Three months ended 30 Sept 2010
Profit attributable to shareholders (\$m)	3,821	3,478	1,237	1,220
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,076,912	1,076,330	1,077,353	1,076,573
Effect of employee share options (in '000)	1,101	1,874	952	1,337
Effect of Awarded Shares (in '000)	1,382	837	1,366	1,233
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,079,395	1,079,041	1,079,671	1,079,143
Diluted earnings per share (\$)	3.54	3.22	1.15	1.13

8. Financial Assets

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

	At 30 Sept 2011 \$m	At 31 Dec 2010 \$m
<u>Clearing House Funds</u>		
Cash and cash equivalents	1,380	2,155
Financial assets measured at fair value through profit or loss	353	359
Financial assets measured at amortised cost	172	130
	1,905	2,644
<u>Margin Funds</u>		
Cash and cash equivalents	25,820	12,418
Financial assets measured at fair value through profit or loss	6,298	5,954
Financial assets measured at amortised cost	12,391	4,323
Accounts receivable, prepayments and deposits	40	7
	44,549	22,702
<u>Cash collateral</u>		
Cash and cash equivalents	4,746	2,843
Financial assets measured at amortised cost	1,106	751
	5,852	3,594
<u>Corporate Funds</u>		
Cash and cash equivalents	5,402	1,945
Financial assets measured at fair value through profit or loss	4,763	4,877
Financial assets measured at amortised cost	1,635	2,600
	11,800	9,422
	64,106	38,362

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 under the T+2 settlement cycle, which accounted for 88 per cent (31 December 2010: 90 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within 2 days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. 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 72 per cent (31 December 2010: 83 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

	2011	2010
	\$m	\$m
At 1 Jan	6,766	6,021
Profit for the period/year	3,821	5,037
Transfer from/(to) Clearing House Funds reserves	2	(17)
Dividends:		
2010/2009 final dividend	(2,487)	(2,251)
2011/2010 interim dividend	(2,327)	(2,034)
Unclaimed dividends forfeited	5	16
Vesting of shares of Share Award Scheme	-	(6)
At 30 Sept 2011/31 Dec 2010	5,780	6,766
Representing:		
Retained earnings	5,780	4,280
Proposed final dividend	-	2,486
At 30 Sept 2011/31 Dec 2010	5,780	6,766

PURCHASE, SALE OR REDEMPTION OF HKE_x'S LISTED SECURITIES

During the nine months ended 30 September 2011, neither HKE_x 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 45,500 HKE_x shares at a consideration of about \$7.3 million.

PUBLICATION OF QUARTERLY RESULTS AND QUARTERLY REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

This results announcement is published on the HKE_xnews website at www.hkexnews.hk and the HKE_x website at www.hkex.com.hk/eng/exchange/invest/results/2011Results.htm. The Quarterly Report for the nine months ended 30 September 2011 will be available on the HKE_xnews and HKE_x websites, and despatched to Shareholders on or about Thursday, 24 November 2011.

BOARD OF DIRECTORS

As at the date of this announcement, the 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, Mr John Barrie HARRISON, 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 one Executive Director, Mr LI Xiaojia, Charles, who is also HKE_x's Chief Executive.

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

Hong Kong, 11 November 2011

GLOSSARY

AMS/3	The Automatic Order Matching and Execution System/Third Generation
Awarded Shares	Shares awarded under the Share Award Scheme
Board	HKEx's board of directors
Cash Market	HKEx's securities related business excluding stock options
CBBC(s)	Callable Bull/Bear Contract(s)
CCASS	The Central Clearing and Settlement System
CPs	Clearing Participants
CSRC	China Securities Regulatory Commission
DCASS	The Derivatives Clearing and Settlement System
Derivatives Market	HKEx's derivatives related business including stock options
Director(s)	HKEx's director(s)
DW(s)	Derivative Warrant(s)
EPs or Participant(s)	Exchange Participant(s)
ETF(s)	Exchange Traded Fund(s)
Exchange or Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
GDP	Gross Domestic Product
GEM	The Growth Enterprise Market
Government Appointed Directors	Directors appointed by the Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China 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
HKSCC	Hong Kong Securities Clearing Company Limited
Hong Kong Government	Government of the Hong Kong Special Administrative Region of the People's Republic of China
H-shares Index or HSCEI	Hang Seng China Enterprises Index
HSI	Hang Seng Index
IPO(s)	Initial Public Offering(s)
IT	Information Technology
IVs	Information Vendors
Listing Rule(s) or Rule	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	The Market Datafeed
MDS	The Market Data System
MOU	Memorandum of Understanding
OTC	Over-the-counter
REIT(s)	Real Estate Investment Trust(s)
RMB	Renminbi
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
Shareholders	HKEx's shareholders
Share Award Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006 and 13 May 2010

US	The United States of America
USD	United States dollar
\$/HKD	Hong Kong dollar
\$bn	Hong Kong dollar in billion
\$m	Hong Kong dollar in million