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)

2005 Interim Results

The Directors of Hong Kong Exchanges and Clearing Limited ("HKEx") submit the unaudited consolidated results of HKEx and its subsidiaries ("Group") for the six months ended 30 June 2005 as follows:

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 Jun 2005	Unaudited Six months ended 30 Jun 2004		Change
KEY MARKET STATISTICS				
Average daily turnover value on the Stock Exchange	**$16.9 billion**	$16.8 billion		1%
Average daily number of derivatives contracts traded on the Futures Exchange	**62,681**	57,651		9%
Average daily number of stock options contracts traded on the Stock Exchange	**25,206**	23,391		8%
		As restated		
	$'000	$'000		
RESULTS				
Income	**1,238,465**	1,163,768		6%
Operating expenses	**570,518**	571,295		(0%)
Operating profit	**667,947**	592,473		13%
Share of profits less losses of associates	**8,635**	6,144		41%
Profit before taxation	**676,582**	598,617		13%
Taxation	**(105,786)**	(101,192)		5%
Profit attributable to shareholders	**570,796**	497,425		15%
Earnings per share	**$0.54**	$0.47		15%
Interim dividend declared per share	**$0.49**	$0.43		14%
Dividend payout ratio	**91%**	91%		N/A
Shareholders' funds	**4,102,791**	4,052,143	Φ	1%
Total assets *	**21,237,865**	21,443,404	Φ	(1%)
Net assets per share #	**$3.87**	$3.83	Φ	1%

* The Group's total assets include the Margin Funds received from Participants on futures and options contracts.
Φ Audited as at 31 December 2004.
Based on 1,061,200,846 shares issued and fully paid as at 30 June 2005 (31 December 2004: 1,056,638,846 shares).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing

- Response to the consultations on giving statutory backing to major listing requirements issued by the Financial Services and the Treasury Bureau and the Securities and Futures Commission ("SFC") was submitted.

- Responses to the consultation on the new structure for listing decision-making are being analysed. The consultation conclusions and recommended amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited will be published in the second half of 2005.

- Market comments on the proposed transitional arrangement in respect of the proposal to publish a notification announcement in newspapers instead of the full announcement will be solicited. Implementation of the publication of notification announcements will be subject to the system and operational readiness and approval of the relevant rule amendments by the SFC.

- An internal working group has been established to develop proposals for the comprehensive review of the Growth Enterprise Market ("GEM") and informal views will be sought from stakeholders.

- The annual report of the Main Board and GEM Listing Committees (collectively the "Listing Committees"), which provides an account of their work during the service term of their members from 1 May 2004 to 13 May 2005, was published on 7 July 2005 to enhance the transparency of the regulatory functions discharged by the Listing Committees and The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Cash Market

- 19 companies were listed on the Main Board and two on the GEM during the first six months of 2005. Total capital raised, including post-listing funds reached $124.7 billion.

- The market capitalisation of the Main Board and the GEM exceeded $7,000 billion for the first time on 13 July 2005. Total funds raised through initial public offerings ("IPOs") on the Main Board and the GEM in one month also reached a new high of exceeding $53.3 billion.

- The renovation of the Trading Hall commenced on 18 July 2005. The new trading area will be ready by the end of 2005 whilst the exhibition and conference facilities will be in operation by the second quarter of 2006.

- Reduction of the minimum trading spreads for shares priced above $30 was implemented on 4 July 2005, affecting a total of 29 shares. Data is being collected for analysing the market impact.

- Discussion with the SFC on the introduction of Callable Bull/Bear Contracts for listing and trading in Hong Kong is in progress.

- The Hang Seng FTSE/Xinhua China 25 Index Exchange Traded Fund and the ABF Hong Kong Bond Index Fund both commenced trading in June 2005. The ABF Pan Asia Bond Index Fund was also listed in July 2005.

Derivatives Market

- FTSE/Xinhua China 25 Index Futures and Options contracts commenced trading on 23 May 2005.

- A series of enhancement measures for the stock options market have been implemented in stages effective February 2005. Market makers were recruited to provide continuous quotations in selected series to help increase market liquidity of stock options. In addition, more choices in strike prices were offered to investors. The trading tariff of Tier 1 option classes was reduced to $3 per contract. Two new stock option classes were launched on 11 July 2005 to meet market demand.

- The capacity of Hong Kong Futures Automated Trading System ("HKATS") is planned to be upgraded in the fourth quarter of 2005.

Clearing

- The operational arrangements and system changes for the implementation of the initial phase of scripless are being finalised. Subject to the enactment of the enabling legislation, dematerialisation of physical scrip in the Central Clearing and Settlement System ("CCASS") Depository will start in 2006.

- Various changes in the clearing fees were made, including (i) the waiver of stock custody fee for delisted securities and securities in prolonged suspension; (ii) extension of the fee waiver on Short Message Service for the Investor Participant ("IP") accounts; (iii) abolition of the initial deposit for the opening of an IP account and the Derivatives Clearing and Settlement System ("DCASS") standard instruction input/processing fees; (iv) abolition of interest retention on margin deposits from Participants of HKFE Clearing Corporation Limited ("HKCC") and The SEHK Options Clearing House Limited ("SEOCH") with interest being paid at prevailing bank savings deposit rate; and (v) reduction of the accommodation charges on non-cash collateral utilised by HKCC and SEOCH Participants.

- The Clearing Service Call Centre and Interactive Voice Recording System have been upgraded. The CCASS deadline for its Participants to submit their voting instructions has been extended to the business date before the relevant meeting. The extension of the CCASS deadline for its Participants to submit their corporate action instructions to a time much closer to the issuer's deadline and the automation of the cash prepayment service have both been launched on 8 August 2005. Further improvements to the CCASS nominee services are expected for implementation in early 2006.

- Changes in the collateral policy of the two derivatives clearing houses are expected to be implemented in the second half of 2005. Moreover, relevant rule amendments will be made to simplify the structure of the participantship and harmonise the capital requirements for clearing participants of the two derivatives clearing houses.

- To strengthen the financial backing and reduce the financial burden on Participants, an additional insurance cover of $78 million has been secured for the HKCC. Insurance cover is one of the risk management measures adopted to cover counterparty risk.

Business Development and Investor Services

- To promote the financial markets in Hong Kong, promotional presentations have been delivered locally and overseas, particularly in the Mainland, to various parties, including potential Mainland issuers, the Japanese business community, individual investors and delegations from different countries.

- Training programmes on the new requirements under the International Financial Reporting Standards ("IFRSs") and the amendments to the Listing Rules relating to the corporate governance practices were offered to the Mainland enterprises early this year.

- Communications with local and overseas fund managers, analysts and investment firms are maintained to improve their understanding of HKEx's business development.

Information Services

- Three international vendors have completed integration of their services with HKEx's Issuer Information Feed service to provide instantaneous access to disclosure documents filed by listed issuers.

Information Technology

- As of the end of June 2005, all major trading, clearing, settlement, and market data dissemination systems have maintained 100 per cent operational system uptime for the prior 27 months. The operating system of the HKATS/DCASS and the CCASS/3 has been upgraded to secure continued and quality system vendor support.

- Capacity upgrade and enhancement to the disaster recovery arrangement are in progress to ensure the highest performance of the HKEx website. The capacity upgrade of the Third Generation Automatic Order Matching and Execution System ("AMS/3") is expected to be completed in the fourth quarter of this year whilst the capacity planning for HKATS, DCASS and Price Reporting System ("PRS") will be implemented by the end of this year.

- Initial phase of the replacement of the AMS/3 off-floor terminals will be commenced in the latter part of August 2005. The existing AMS/3 Order Routing System will be migrated to HP/Nonstop platform to reduce technology complexity and achieve operational cost savings by the end of 2005.

- Consolidation of the existing four market system networks into a new Optional Ethernet network ("SDNet") has started early this year to ensure a cost effective network infrastructure for the Cash and Derivatives Markets. The migration of the HKATS, DCASS and PRS circuits to the SDNet is planned in October 2005. AMS/3 satellite systems consolidation and Derivatives Market surveillance and risk management systems redevelopment are in progress to further improve operation efficiency and effectiveness.

Treasury

- HKEx's investment fund size as at 30 June 2005 increased by 13 per cent to $16.5 billion, as compared with that as at the end of the first quarter this year. Investments are kept sufficiently liquid to meet operating needs and possible liquidity requirements of the Clearing House Funds and Margin Funds. Credit exposure is well diversified, and the weighted average credit rating of the bond portfolio held has been A3 or above. Risk management techniques, such as Value-at-Risk and portfolio stress testing, are used.

- Investment income for the six months ended 30 June 2005 increased by 66 per cent against that for the same period last year.

Investments in Associates

- The Group acquired a further 6 per cent interest in Computershare Hong Kong Investor Services Limited ("CHIS"), raising its shareholding to 30 per cent.

- The Group holds a 30 per cent interest in ADP Wilco Processing Services Limited, which is in the process of a voluntary dissolution.

FINANCIAL REVIEW

Overall Performance

	Unaudited Six months ended 30 Jun 2005 $ million	As restated Unaudited Six months ended 30 Jun 2004 $ million
Income:		
Income directly affected by market turnover	**659**	658
Stock Exchange listing fees	**195**	183
Investment income	**122**	74
Income from sale of information	**162**	158
Other income	**100**	91
	1,238	1,164
Operating expenses	**570**	571
Operating profit	**668**	593
Share of profits less losses of associates	**9**	6
Profit before taxation	**677**	599
Taxation	**(106)**	(101)
Profit attributable to shareholders	**571**	498

The Group recorded a profit attributable to shareholders of $571 million for the first six months of 2005 (first quarter: $245 million, second quarter: $326 million), compared with $498 million, as restated, for the same period in 2004 (first quarter: $313 million, second quarter: $185 million).

The increase in profit for the six months ended 30 June 2005 was primarily attributable to the significant increase in investment income compared with the same period last year, mainly due to higher interest income resulting from the rising interest rates in 2005 and increased fund size, and the increase in Stock Exchange listing fees due to the higher number of listed securities and newly listed derivative warrants during the period.

Despite an increase in staff costs, the Group has managed to keep its total operating expenses for the six-month period at a similar level to that of the same period last year.

Income

(A) Income directly affected by market turnover

	Unaudited Six months ended 30 Jun 2005 $'000	Unaudited Six months ended 30 Jun 2004 $'000	Change
Trading fees and trading tariff	**352,615**	347,172	2%
Clearing and settlement fees	**172,427**	185,950	(7%)
Depository, custody and nominee services fees	**133,682**	125,157	7%
Total	**658,724**	658,279	0%

The increase in trading fees and trading tariff was mainly due to the higher turnover of the Derivatives Market in the first six months of 2005 against that of the corresponding period last year.

Clearing and settlement fees are derived predominantly from Cash Market transactions. Despite being mostly ad valorem fees, clearing and settlement fees are subject to a minimum and a maximum fee per transaction. Clearing and settlement fees decreased mainly due to lower exchange trade settlement income as there was a higher proportion of transactions with value subject to the maximum fee and a lower proportion of transactions with value subject to the minimum fee in 2005. Income from settlement instructions ("SIs") also decreased as average daily market value of SIs dropped.

Depository, custody and nominee services fees increased due to the increase in scrip fee income and dividend collection fees in 2005.

Key market indicators

	Unaudited Six months ended 30 Jun 2005	Unaudited Six months ended 30 Jun 2004	Change
Average daily turnover value on the Stock Exchange	**$16.9 billion**	$16.8 billion	1%
Average daily number of derivatives contracts traded on the Futures Exchange	**62,681**	57,651	9%
Average daily number of stock options contracts traded on the Stock Exchange	**25,206**	23,391	8%

(B) Stock Exchange listing fees

	Unaudited Six months ended 30 Jun 2005 $'000	Unaudited Six months ended 30 Jun 2004 $'000	Change
Annual listing fees	**131,356**	123,664	6%
Initial and subsequent issue listing fees	**60,394**	55,997	8%
Others	**3,822**	3,309	16%
Total	**195,572**	182,970	7%

The increase in annual listing fees was attributable to the higher number of listed securities. Although the number of newly listed companies declined as compared with the same period in 2004, the decrease in initial listing fees from newly listed companies was more than offset by the higher income from newly listed derivative warrants and the initial listing fees forfeited due to increased numbers of lapsed and withdrawn IPO applications and approved IPOs not listed within six months of application.

Key drivers for annual listing fees

	As at 30 Jun 2005	As at 30 Jun 2004	Change
Number of companies listed on the Main Board	**901**	869	4%
Number of companies listed on the GEM	**203**	199	2%
Total	**1,104**	1,068	3%

Key drivers for initial and subsequent issue listing fees

	Six months ended 30 Jun 2005	Six months ended 30 Jun 2004	Change
Number of newly listed derivative warrants	**679**	595	14%
Number of new listings on the Main Board	**19**	23	(17%)
Number of new listings on the GEM	**2**	15	(87%)
Total equity funds raised on the Main Board	**$123.2 billion**	$210.9 billion	(42%)
Total equity funds raised on the GEM	**$1.5 billion**	$4.0 billion	(63%)

(C) Investment income

	Unaudited Six months ended 30 Jun 2005 $'000	As restated Unaudited Six months ended 30 Jun 2004 $'000	Change
Income from:			
Funds available for investment	**122,073**	72,656	68%
Investment in Singapore Exchange Limited	**-**	832	(100%)
Total	**122,073**	73,488	66%

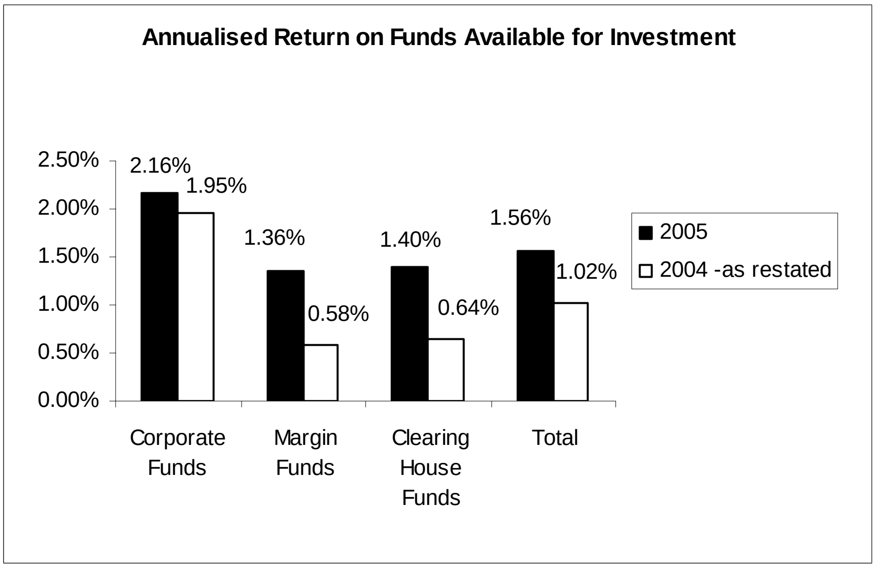
The average amount of funds available for investment was as follows:

	Six months ended 30 Jun 2005 $ billion	Six months ended 30 Jun 2004 $ billion	Change
Corporate Funds	**3.9**	4.5	(13%)
Margin Funds	**10.2**	8.3	23%
Clearing House Funds	**1.5**	1.5	0%
Total	**15.6**	14.3	9%

The increase in average amount of Margin Funds available for investment during the period was primarily due to the increased open interest in futures and options contracts. The reduction in Corporate Funds was mainly due to the $2.2 billion payment of 2003 special and final dividends in April 2004.

The increase in income generated from funds available for investment was primarily due to the higher interest income arising from increases in fund size and interest rates during the first half of 2005.

The performance of funds available for investment was as follows:



(D) Income from sale of information

	Unaudited Six months ended 30 Jun 2005 $'000	Unaudited Six months ended 30 Jun 2004 $'000	Change
Income from sale of information	**162,245**	158,340	2%

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

(E) Other income

	Unaudited Six months ended 30 Jun 2005 $'000	As restated Unaudited Six months ended 30 Jun 2004 $'000	Change
Other income			
Network, terminal user, dataline and software sub-license fees	**66,134**	56,807	16%
Participants' subscription and application fees	**17,282**	17,230	0%
Brokerage on direct IPO applications	**6,188**	8,382	(26%)
Fair value gain of an investment property	**2,600**	-	N/A
Accommodation income	**1,494**	3,789	(61%)
Miscellaneous income	**6,153**	4,483	37%
Total	**99,851**	90,691	10%

Despite the 20 per cent reduction in AMS/3 user fees that took effect on 1 January 2005, network, terminal user, dataline and software sub-license fees increased due to the increase in sales of additional throttle.

Accommodation income (i.e. retention interest charged on cash margin deposits in non-contract settlement currencies and securities deposited by Participants as alternatives to cash deposits of the Margin Funds) decreased as there were less cash margin deposits denominated in non-contract settlement currencies during the period. Furthermore, from 1 June 2005, accommodation charges on cash margin deposits were abolished and accommodation fee on utilised non-cash collateral charged by HKCC and SEOCH were reduced from 1.2 per cent and 2 per cent respectively to 0.5 per cent.

Operating expenses

	Unaudited Six months ended 30 Jun 2005 $'000	As restated Unaudited Six months ended 30 Jun 2004 $'000	Change
Staff costs and related expenses	**282,762**	265,153	7%
Information technology and computer maintenance expenses	**99,063**	110,017	(10%)
Premises expenses	**39,946**	39,245	2%
Product marketing and promotion expenses	**5,533**	5,696	(3%)
Legal and professional fees	**6,592**	5,484	20%
Depreciation	**85,680**	91,578	(6%)
Payment to SFC under dual filing regime	**10,000**	10,000	0%
Other operating expenses	**40,942**	44,122	(7%)
Total	**570,518**	571,295	(0%)

Staff costs and related expenses rose by $18 million, primarily due to the increase in salary costs of $13 million as a result of the increase in headcount and salary adjustment in 2005. Employee share option costs also rose by $5 million due to the amortisation of the option costs arising from grants of new share options in March 2004, May 2004 and January 2005.

Information technology and computer maintenance expenses of the Group, after excluding goods and services directly consumed by the Participants of $26 million (2004: $29 million), were $73 million (2004: $81 million). The reduction was mainly due to lower system maintenance costs and reduced network line rental charges. During the period under review, capital expenditures on computer systems, hardware and software amounted to $11 million (2004: $11 million).

Depreciation fell as certain fixed assets became fully depreciated.

Other operating expenses declined mainly as a result of the decrease in bank charges following the expiry of certain banking facilities that were no longer necessary.

Share of profits less losses of associates

	Unaudited Six months ended 30 Jun 2005 $'000	As restated Unaudited Six months ended 30 Jun 2004 $'000	Change
Share of profits less losses of associates	**8,635**	6,144	41%

Share of profits less losses of associates increased due to the higher profitability of one of the associates, CHIS. In May 2005, the Group acquired a further 6 per cent of the share capital of CHIS.

Taxation

	Unaudited Six months ended 30 Jun 2005 $'000	As restated Unaudited Six months ended 30 Jun 2004 $'000	Change
Taxation	**105,786**	101,192	5%

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

Comparison of 2005 second quarter performance with 2005 first quarter performance

	Unaudited Three months ended 30 Jun 2005 $ million	Unaudited Three months ended 31 Mar 2005 $ million
Income:		
Income directly affected by market turnover :		
Trading fees and trading tariff	**170**	183
Clearing and settlement fees	**81**	92
Depository, custody and nominee services fees	**100**	33
	351	308
Stock Exchange listing fees	**99**	96
Investment income	**79**	43
Income from sale of information	**83**	79
Other income	**52**	48
	664	574
Operating expenses	**287**	283
Operating profit	**377**	291
Share of profits less losses of associates	**6**	3
Profit before taxation	**383**	294
Taxation	**(57)**	(49)
Profit attributable to shareholders	**326**	245

Profit attributable to shareholders increased by $81 million to $326 million for the second quarter of 2005, compared with $245 million recorded in the first quarter of 2005. The improvement in profit was mainly due to an increase in depository, custody and nominee services fees due to seasonal factors and higher investment income, while operating expenses remained fairly stable during the two quarters.

Key market indicators

	Unaudited Three months ended 30 Jun 2005	Unaudited Three months ended 31 Mar 2005	Change
Average daily turnover value on the Stock Exchange	**$15.4 billion**	$18.4 billion	(16%)
Average daily number of derivatives contracts traded on the Futures Exchange	**61,545**	63,885	(4%)
Average daily number of stock options contracts traded on the Stock Exchange	**23,907**	26,583	(10%)

Despite a decrease in trading fees and trading tariff of $13 million and clearing and settlement fees of $11 million due to the decline in activities in the Cash and Derivatives Markets in the second quarter of 2005, income directly affected by market turnover increased by $43 million in the second quarter as compared to the first quarter as depository, custody and nominee services fees rose by $67 million on account of an increase in dividend collection and scrip fee income due to seasonal fluctuations.

Investment income increased by $36 million, principally due to higher interest income attributable to rising interest rates in 2005 and increased fair value gains on the investments held, reflecting the market movements in the bond and equity prices during the two quarters.

Taxation increased, mainly as a result of the increase in operating profit, but partly offset by an increase in non-taxable investment income.

Working Capital

Working capital rose by $82 million or 3 per cent to $3,147 million as at 30 June 2005 (31 December 2004: $3,065 million). The increase was primarily due to the profit generated during the period of $571 million, which was partly offset by payment of the 2004 final dividend of $498 million in April 2005, and the increase in other net current assets of $9 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 2005, the Group's total available banking facilities amounted to $1,608 million (31 December 2004: $1,608 million), of which $1,500 million (31 December 2004: $1,500 million) represented repurchase facilities to augment the liquidity of the Margin Funds.

Borrowings of the Group have been rare and are mostly event driven, with little seasonality. As at 30 June 2005 and 31 December 2004, the Group had no bank borrowings, and therefore had zero gearing.

The Group's capital expenditure commitments as at 30 June 2005 were related to the refurbishment of the Trading Hall and the ongoing investments in facilities and technology, and amounted to $144 million (31 December 2004: $78 million). The Group has adequate internal resources to fund its commitments on capital expenditures.

As at 30 June 2005, 97 per cent (31 December 2004: 99 per cent) of the Group's cash and cash equivalents (comprise cash on hand, bank balances and time deposits within three months of maturity when acquired) were denominated in HKD or USD.

Charges on Assets

None of the Group's assets was pledged as at 30 June 2005 and 31 December 2004.

Significant Investments Held and Material Acquisitions and Disposals of Investments and Subsidiaries

There were no material acquisitions or disposals of investments and subsidiaries during the six-month period.

Exposure to Fluctuations in Exchange Rates and Related Hedges

When seeking to optimise returns on its funds available for investment, the Group may invest in non-HKD securities from time to time. Forward foreign exchange contracts and foreign currency deposits have been used to hedge the currency exposure of the Group's non-HKD investments and liabilities to mitigate risks arising from fluctuations in exchange rates.

As at 30 June 2005, the aggregate net open foreign currency positions amounted to $1,916 million, of which $140 million were non-USD exposures (31 December 2004: $1,996 million, of which $170 million were non-USD exposures), and the total nominal value of outstanding forward foreign exchange contracts amounted to $509 million (31 December 2004: $358 million). All foreign exchange contracts have a maturity of less than four months (31 December 2004: less than one month).

The Group's foreign currency margin deposits received are hedged by investments in the same currencies.

Contingent liabilities

In May 2005, the Court of Appeal issued its judgement in the New World Development Company Limited ("New World") judicial review appeal case. The Court allowed the appeal and quashed the direction of the Chairman of the Listing (Disciplinary) Committee in the New World disciplinary proceedings that legal advisers not be permitted to address the Listing (Disciplinary) Committee. New World was awarded costs which are estimated to be in the region of $4 million. The Stock Exchange has lodged an application for appeal to the Court of Final Appeal. In the opinion of external legal counsel, the Stock Exchange has valid grounds for an appeal, a reasonable prospect of success and consequently it is not probable that the Stock Exchange will be required to bear the costs incurred by New World in the legal proceedings. Accordingly, no provision for such costs has been made in the accounts.

Changes since 31 December 2004

There were no other significant changes in the financial position or from the information disclosed under the Management Discussion and Analysis in the annual report for the year ended 31 December 2004.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**Unaudited Six months ended 30 Jun 2005 $'000**	As restated Unaudited Six months ended 30 Jun 2004 $'000	**Unaudited Three months ended 30 Jun 2005 $'000**	As restated Unaudited Three months ended 30 Jun 2004 $'000
INCOME	2				
Trading fees and trading tariff		**352,615**	347,172	**169,935**	154,388
Stock Exchange listing fees		**195,572**	182,970	**98,869**	92,279
Clearing and settlement fees		**172,427**	185,950	**80,786**	79,316
Depository, custody and nominee services fees		**133,682**	125,157	**100,069**	87,331
Income from sale of information		**162,245**	158,340	**83,255**	77,785
Investment income/(loss)	3	**122,073**	73,488	**79,193**	(17,777)
Other income	4	**99,851**	90,691	**52,106**	41,575
	2	**1,238,465**	1,163,768	**664,213**	514,897
OPERATING EXPENSES					
Staff costs and related expenses		**282,762**	265,153	**141,378**	132,774
Information technology and computer maintenance expenses		**99,063**	110,017	**50,157**	55,403
Premises expenses		**39,946**	39,245	**20,152**	19,715
Product marketing and promotion expenses		**5,533**	5,696	**3,846**	2,528
Legal and professional fees		**6,592**	5,484	**3,699**	1,603
Depreciation		**85,680**	91,578	**41,449**	46,697
Payment to SFC under dual filing regime		**10,000**	10,000	**5,000**	5,000
Other operating expenses	5	**40,942**	44,122	**22,162**	22,689
	2	**570,518**	571,295	**287,843**	286,409
OPERATING PROFIT	2	**667,947**	592,473	**376,370**	228,488
SHARE OF PROFITS LESS LOSSES OF ASSOCIATES	2	**8,635**	6,144	**6,018**	3,164
PROFIT BEFORE TAXATION	2	**676,582**	598,617	**382,388**	231,652
TAXATION	2/6	**(105,786)**	(101,192)	**(57,013)**	(47,123)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	2	**570,796**	497,425	**325,375**	184,529
DIVIDEND		**519,988**	454,283	**519,988**	454,283
Earnings per share	7	**$0.54**	$0.47	**$0.31**	$0.17
Interim dividend declared per share		**$0.49**	$0.43	**$0.49**	$0.43
Dividend payout ratio		**91%**	91%	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited at 30 Jun 2005 $'000**	Audited at 31 Dec 2004 $'000
NON-CURRENT ASSETS			
Fixed assets		**252,135**	324,300
Investment property		**15,900**	13,300
Lease premium for land		**94,397**	94,670
Investments in associates		**59,974**	38,731
Clearing House Funds		**1,347,126**	1,861,487
Compensation Fund Reserve Account		**37,574**	37,451
Time deposit with maturity over one year		**38,944**	38,941
Deferred tax assets		**3,230**	1,227
Other assets		**13,009**	13,142
		1,862,289	2,423,249
CURRENT ASSETS			
Accounts receivable, prepayments and deposits	8	**4,327,370**	4,691,846
Lease premium for land		**548**	548
Taxation recoverable		**20**	91
Margin Funds on derivatives contracts		**11,179,014**	10,529,692
Financial assets at fair value through profit or loss		**2,600,570**	2,761,593
Time deposits with original maturity over three months		**209,266**	1,340
Cash and cash equivalents		**1,058,788**	1,035,045
		19,375,576	19,020,155
CURRENT LIABILITIES			
Margin deposits from Clearing Participants on derivatives contracts		**11,179,014**	10,529,692
Accounts payable, accruals and other liabilities	8	**4,646,646**	4,902,350
Financial liabilities at fair value through profit or loss		**189**	10,749
Participants' admission fees received		**4,550**	4,850
Deferred revenue		**165,824**	284,148
Taxation payable		**207,107**	199,678
Provisions		**24,821**	23,212
		16,228,151	15,954,679
NET CURRENT ASSETS		**3,147,425**	3,065,476
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,009,714**	5,488,725
NON-CURRENT LIABILITIES			
Participants' admission fees received		**80,900**	82,850
Participants' contributions to Clearing House Funds		**781,348**	1,298,752
Deferred tax liabilities		**20,551**	30,876
Provisions		**24,124**	24,104
		906,923	1,436,582
NET ASSETS		**4,102,791**	4,052,143
CAPITAL AND RESERVES			
Share capital		**1,061,201**	1,056,639
Share premium		**134,015**	104,034
Employee share-based compensation reserve		**26,397**	17,061
Revaluation reserves		**(46,981)**	18,829
Designated reserves		**684,083**	680,996
Retained earnings	9	**1,724,088**	1,677,964
Proposed/declared dividends	9	**519,988**	496,620
SHAREHOLDERS' FUNDS		**4,102,791**	4,052,143

Notes:

1. These unaudited condensed consolidated accounts should be read in conjunction with the 2004 annual accounts. The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2004.

   In May 2005, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued an interpretation HK-INT 4 "Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases", which is applicable to the Group's operation and became effective on 24 May 2005. The adoption of the interpretation has no financial impact to the Group as the Group's accounting policies already comply with the interpretation.

   As disclosed in the 2004 annual accounts, the Group adopted various new Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA in the fourth quarter of 2004. The results for the six months ended 30 June 2004 have been restated in accordance with the new HKFRSs. The effect of changes in accounting policies on the condensed consolidated profit and loss account for the six months ended 30 June 2004 is as follows:

	Effect of adopting						
	HKAS 1 $'000	HKAS 17 $'000	HKFRS 2 $'000	HKFRS 3, HKAS 36 & HKAS 38 $'000	HKAS 32 & HKAS 39 $'000	Other reclassification $'000	Total $'000
Decrease in investment income	-	-	-	-	(3,094)	(3,789)	(6,883)
Increase in other income	-	-	-	-	-	3,789	3,789
Increase in staff costs and related expenses	-	-	(5,902)	-	-	-	(5,902)
Increase in premises expenses	-	(274)	-	-	-	-	(274)
Decrease in depreciation	-	942	-	-	-	-	942
Increase in other operating expenses	-	-	-	-	(434)	-	(434)
(Decrease) / increase in share of profits less losses of associates	(1,345)	-	-	1,324	-	-	(21)
Decrease / (increase) in taxation	1,345	(46)	-	-	(84)	-	1,215
Total increase / (decrease) in profit	-	622	(5,902)	1,324	(3,612)	-	(7,568)
Increase / (decrease) in basic earnings per share	-	0.06 cents	(0.56 cents)	0.12 cents	(0.34 cents)	-	(0.72 cents)

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

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

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

	Unaudited Six months ended 30 Jun 2005				
	Cash Market $'000	**Derivatives Market $'000**	**Clearing Business $'000**	**Information Services $'000**	**Group $'000**
Income	**530,107**	**197,041**	**348,067**	**163,250**	**1,238,465**
Costs	**270,586**	**74,814**	**190,591**	**34,527**	**570,518**
Segment results	**259,521**	**122,227**	**157,476**	**128,723**	**667,947**
Share of profits less losses of associates	**(21)**	**-**	**8,656**	**-**	**8,635**
Segment profits before taxation	**259,500**	**122,227**	**166,132**	**128,723**	**676,582**
Taxation					**(105,786)**
Profit attributable to shareholders					**570,796**

	As restated Unaudited Six months ended 30 Jun 2004				
	Cash Market $'000	Derivatives Market $'000	Clearing Business $'000	Information Services $'000	Group $'000
Income	513,870	145,865	344,403	159,630	1,163,768
Costs	267,849	71,466	194,005	37,975	571,295
Segment results	246,021	74,399	150,398	121,655	592,473
Share of profits less losses of associates	2	-	6,142	-	6,144
Segment profits before taxation	246,023	74,399	156,540	121,655	598,617
Taxation					(101,192)
Profit attributable to shareholders					497,425

The **Cash Market** business mainly refers to the operations of the Stock Exchange, which covers all products traded on the Cash Market platforms, such as equities, debt securities, unit trusts, warrants and rights. Currently, the Group operates two 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. Direct costs of the Listing Function are treated as segment costs under 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 equity and interest rate futures and options. Its income mainly comprises trading fees and net interest income on the Margin Funds received.

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

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

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

3. Investment income/(loss)

	Unaudited Six months ended 30 Jun 2005 $'000	As restated Unaudited Six months ended 30 Jun 2004 $'000	**Unaudited Three months ended 30 Jun 2005 $'000**	As restated Unaudited Three months ended 30 Jun 2004 $'000
Interest income				
- bank deposits	**68,571**	7,828	**48,501**	2,818
- listed available-for-sale financial assets	**4,898**	1,914	**3,287**	1,133
- unlisted available-for-sale financial assets	**34,487**	24,534	**16,189**	13,090
	107,956	34,276	**67,977**	17,041
Interest expenses	**(19,234)**	(119)	**(16,330)**	(15)
Net interest income	**88,722**	34,157	**51,647**	17,026
Net realised and unrealised gains/(losses) and interest income on financial assets at fair value through profit or loss				
- bank deposits with embedded derivatives	**266**	(2,329)	**-**	(3,374)
- listed securities	**36,450**	27,635	**25,860**	(256)
- unlisted securities	**3,861**	14,580	**12,655**	(24,021)
- exchange difference	**(9,698)**	(5,343)	**(12,321)**	(9,548)
	30,879	34,543	**26,194**	(37,199)
Gains/(losses) on disposal and maturity of available-for-sale financial assets				
- unlisted securities	**-**	101	**-**	-
- exchange difference	**-**	(151)	**-**	-
	-	(50)	**-**	-
Dividend income				
- listed available-for-sale financial assets	**-**	1,070	**-**	-
- listed financial assets at fair value through profit or loss	**3,411**	3,352	**2,430**	2,215
	3,411	4,422	**2,430**	2,215
Other exchange difference	**(939)**	416	**(1,078)**	181
Total investment income/(loss)	**122,073**	73,488	**79,193**	(17,777)
Total investment income/(loss) is derived from:				
Corporate Funds (note a)	**42,343**	44,765	**33,975**	(30,996)
Margin Funds	**69,153**	23,994	**38,518**	10,848
Clearing House Funds	**10,577**	4,729	**6,700**	2,371
	122,073	73,488	**79,193**	(17,777)

(a) Investment income/(loss) derived from Corporate Funds includes investment income of Compensation Fund Reserve Account of $498,000 (2004: $263,000) and Cash and Derivatives Market Development Fund ("CDMD Fund") of $Nil (2004: $12,000) for the six months ended 30 June 2005, and investment income of Compensation Fund Reserve Account of $312,000 (2004: $132,000) and CDMD Fund of $Nil (2004: $6,000) for the three months ended 30 June 2005. The CDMD Fund was fully utilised in 2004.

4. Other income

	Unaudited Six months ended 30 Jun 2005 $'000	As restated Unaudited Six months ended 30 Jun 2004 $'000	**Unaudited Three months ended 30 Jun 2005 $'000**	As restated Unaudited Three months ended 30 Jun 2004 $'000
Network, terminal user, dataline and software sub-license fees	**66,134**	56,807	**35,196**	27,718
Participants' subscription and application fees	**17,282**	17,230	**8,576**	8,554
Brokerage on direct IPO applications	**6,188**	8,382	**1,523**	2,017
Fair value gain of an investment property	**2,600**	-	**2,600**	-
Accommodation income on cash margin deposits in non-contract settlement currencies and securities deposited by Participants as alternatives to cash deposits of the Margin Funds	**1,494**	3,789	**784**	1,466
Miscellaneous income	**6,153**	4,483	**3,427**	1,820
	99,851	90,691	**52,106**	41,575

5. Other operating expenses

	Unaudited Six months ended 30 Jun 2005 $'000	As restated Unaudited Six months ended 30 Jun 2004 $'000	**Unaudited Three months ended 30 Jun 2005 $'000**	As restated Unaudited Three months ended 30 Jun 2004 $'000
(Reversal of provision for)/provision for impairment losses of trade receivables	**(372)**	130	**68**	633
Insurance	**8,202**	8,245	**4,104**	3,955
Financial data subscription fees	**2,757**	3,933	**1,198**	1,901
Custodian and fund management fees	**3,891**	3,963	**1,948**	1,866
Bank charges	**1,788**	3,959	**1,043**	1,841
Repair and maintenance expenses	**3,774**	3,389	**2,012**	1,816
Other miscellaneous expenses	**20,902**	20,503	**11,789**	10,677
	40,942	44,122	**22,162**	22,689

6. Taxation charge/ (credit) in the condensed consolidated profit and loss account represents:

	Unaudited Six months ended 30 Jun 2005 $'000	As restated Unaudited Six months ended 30 Jun 2004 $'000	**Unaudited Three months ended 30 Jun 2005 $'000**	As restated Unaudited Three months ended 30 Jun 2004 $'000
Provision for Hong Kong Profits Tax (note a)	**114,849**	109,619	**62,225**	48,200
Deferred taxation	**(9,063)**	(8,427)	**(5,212)**	(1,077)
	105,786	101,192	**57,013**	47,123

(a) Hong Kong Profits Tax has been provided for at 17.5 per cent (2004: 17.5 per cent) on the estimated assessable profit for the period.

7. The calculation of basic earnings per share for the six months ended 30 June 2005 is based on the profit attributable to shareholders of $570,796,000 (2004: $497,425,000) and the weighted average of 1,058,595,023 shares (2004: 1,053,391,703 shares) in issue during the period. The calculation of basic earnings per share for the three months ended 30 June 2005 is based on the profit attributable to shareholders of $325,375,000 (2004: $184,529,000) and the weighted average of 1,060,247,198 shares (2004: 1,056,464,648 shares) in issue during the period. The employee share options outstanding did not have a material dilutive effect on the basic earnings per share for the six-month and three-month periods ended 30 June 2005 and 30 June 2004.

8. The Group's accounts receivable, prepayments and deposits amounted to $4,327,370,000 (31 December 2004: $4,691,846,000). These mainly represent the Group's Continuous Net Settlement ("CNS") money obligations receivable under the T+2 settlement cycle, which account for 93 per cent (31 December 2004: 91 per cent) of the total accounts receivable, prepayments and deposits. CNS money obligations receivable mature within two days as they are due for settlement two days after the trade date. The majority of the remaining accounts receivable, prepayments and deposits will mature within three months. Fees receivable are due immediately or up to 30 days depending on the type of services rendered.

   The Group's accounts payable, accruals and other liabilities amounted to $4,646,646,000 (31 December 2004: $4,902,350,000). These mainly represent the Group's CNS money obligations payable under the T+2 settlement cycle, which account for 87 per cent (31 December 2004: 87 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within two days as they are due for settlement two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities will mature within three months.

9. Retained earnings (including proposed/declared dividends)

	Unaudited at 30 Jun 2005 $'000	Audited at 31 Dec 2004 $'000
At 1 Jan		
Retained earnings	**1,677,964**	1,578,991
Proposed/declared dividends	**496,620**	2,202,898
Profit for the period/year (note a)	**570,796**	1,056,884
(Surplus)/deficit of investment income net of expenses of Clearing House Funds for the period/year transferred to Clearing House Funds reserves	**(5,793)**	5,040
Investment income net of expenses of Compensation Fund Reserve Account for the period/year transferred to Compensation Fund Reserve Account reserve	**(515)**	(576)
Transfer from CDMD Fund reserve (note b)	-	914
Transfer from Development reserve	**3,221**	3,283
Dividends paid:		
2004 final dividend/2003 special and final dividends	**(496,620)**	(2,202,898)
Dividend on shares issued for employee share options exercised after declaration of 2004 final dividend/2003 special and final dividends	**(1,597)**	(15,661)
	(498,217)	(2,218,559)
2004 interim dividend	-	(454,283)
Dividend on shares issued for employee share options exercised after declaration of 2004 interim dividend	-	(8)
	-	(454,291)
At 30 Jun/31 Dec	**2,244,076**	2,174,584
Representing:		
Retained earnings	**1,724,088**	1,677,964
Proposed/declared dividends	**519,988**	496,620
At 30 Jun/31 Dec	**2,244,076**	2,174,584

(a) The Group's profit for the period/year includes a net profit attributable to investment income net of expenses of the Clearing House Funds, Compensation Fund Reserve Account and CDMD Fund for an aggregate amount of $6,308,000 (year ended 31 December 2004: deficit of $2,182,000).

(b) The CDMD Fund reserve was fully utilised in 2004 for funding initiatives that were for the development and betterment of the Cash and Derivatives Markets in Hong Kong.

PROSPECTS

As the controller of the stock and futures exchanges, HKEx's revenue is closely correlated with the activities in the Cash and Derivatives Markets. Apart from the local economic development which is one of the contributing factors, the Group's performance is also subject to the economic growth of the Mainland and other major international financial markets. The rising interest rate and oil prices, the impact of the revaluation of Renminbi on international trade and capital inflow to Hong Kong will remain major concerns of both local and international investors.

In the first half of the year, Mainland enterprises raised a total of $58.5 billion through IPOs on the Main Board and GEM, accounting for about 90 per cent of the total IPO funds raised during the period. HKEx has benefited from the steady economic growth on the Mainland in recent years and has successfully attracted the listings of major Mainland enterprises including some of the world's largest IPOs. These listings have further strengthened HKEx's role as a Mainland partner in capital raising and as the most liquid market for the trading of Mainland-related securities and derivatives. HKEx will continue building on its strength to reaffirm its position as the pre-eminent exchange where Mainland and Hong Kong enterprises can tap the global capital market, and reinforce Hong Kong's role as an international financial centre.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of $0.49 per share (2004: $0.43 per share) for the year ending 31 December 2005, amounting to a total of about $520 million (2004: $454 million).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 7 September 2005 to Friday, 9 September 2005, both dates inclusive, during which period, no transfer of shares will be registered. Dividend warrants will be dispatched to Shareholders on or about Thursday, 15 September 2005. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with HKEx's registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 6 September 2005.

CORPORATE GOVERNANCE

HKEx is committed to building and maintaining high standards of corporate governance. HKEx applied the principles and complied with all requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules, with certain deviations from code provisions A.4.1 and A.4.2 in respect of the service term and rotation of Directors, throughout the review period.

The code provisions A.4.1 and A.4.2 provide that (a) non-executive directors should be appointed for specific terms, subject to re-election, and (b) all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement at least once every three years. Details of the deviations were set out in the Corporate Governance Report of HKEx's 2004 Annual Report issued in March 2005.

To ensure stricter compliance with the CG Code, relevant amendments to the Articles of Association were proposed and approved by shareholders at the annual general meeting held on 12 April 2005 ("2005 AGM") and subsequently approved by the SFC on 18 April 2005 pursuant to Section 67 of the SFO.

Following the effective of the amendments to the Articles, and shareholders' resolutions passed at the 2005 AGM, HKEx fully complies with the CG Code.

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group. In the preparation of the accounts for the year ended 31 December 2004, HKEx has early adopted various new HKFRSs which are aligned with the requirements of the IFRSs in all material respects. The accounting policies and methods of computation used in the preparation of the accounts for the six months ended 30 June 2005 are consistent with those used in the annual accounts for the year ended 31 December 2004.

The Board acknowledges its ultimate responsibility for setting up a robust internal control system for the Group to safeguard the shareholders' investment and its assets. According to the CG Code, the Board has annually conducted review of the effectiveness of the Company's system of internal control. The Audit Committee has been considering alternative approaches to formalise such annual review framework. The Board is satisfied that the Group has fully complied with the code provisions on internal controls in the first half of 2005 as set forth in the CG Code.

REVIEW OF ACCOUNTS

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The Audit Committee has reviewed the unaudited condensed interim financial statements for the six months ended 30 June 2005 in conjunction with HKEx's external auditors.

PURCHASE, SALE OR REDEMPTION OF HKEX'S LISTED SECURITIES

During the six months ended 30 June 2005, HKEx had not redeemed and neither HKEx nor any of its subsidiaries had purchased or sold any of HKEx's listed securities.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of HKEx comprises 12 Independent Non-executive Directors, namely Mr LEE Yeh Kwong, Charles (Chairman), Dr CHEUNG Kin Tung, Marvin, Mr FAN Hung Ling, Henry, Mr FONG Hup, Mr FRESHWATER, Timothy George, Dr KWOK Chi Piu, Bill, Mr LEE Jor Hung, Dannis, Mr LEE Kwan Ho, Vincent Marshall, Dr LO Ka Shui, Mr STRICKLAND, John Estmond, Mr WEBB, David Michael, Mr WONG Sai Hung, Oscar, and one executive Director, Mr CHOW Man Yiu, Paul, who is also the Chief Executive.

By Order of the Board
Hong Kong Exchanges and Clearing Limited
Lee Yeh Kwong, Charles
Chairman

Hong Kong, 17 August 2005

This results announcement is published on the Stock Exchange's website (http://www.hkex.com.hk) and the interim report will be available from the same website on or before 31 August 2005.

Please also refer to the published version of this announcement in South China Morning Post on 18 August 2005.