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

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

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors ("Board") of Hong Kong Exchanges and Clearing Limited ("HKEx") submits the consolidated results of HKEx and its subsidiaries ("Group") for the year ended 31 December 2007. The Group's financial information for the year ended 31 December 2007 in this announcement was prepared based on the consolidated financial statements which have been reviewed by the auditor. The Group has agreed with the auditor as to the contents of this results announcement.

FINANCIAL HIGHLIGHTS

	2007	2006	Change
KEY MARKET STATISTICS			
Average daily turnover value on the Stock Exchange	**$88.1 billion**	$33.9 billion	160%
Average daily number of derivatives contracts traded on the Futures Exchange	**171,440**	100,318	71%
Average daily number of stock options contracts traded on the Stock Exchange	**187,686**	73,390	156%

	2007 $'000	2006 $'000	Change
RESULTS			
Income	**8,390,470**	4,146,916	102%
Operating expenses	**1,411,565**	1,210,573	17%
Operating profit	**6,978,905**	2,936,343	138%
Gain on disposal of an associate	**206,317**	-	N/A
Share of profits of associates	**5,587**	27,124	(79%)
Profit before taxation	**7,190,809**	2,963,467	143%
Taxation	**(1,021,531)**	(444,898)	130%
Profit attributable to shareholders	**6,169,278**	2,518,569	145%
Basic earnings per share	**$5.78**	$2.37	144%
Diluted earnings per share	**$5.72**	$2.34	144%
Interim dividend per share	**$1.79**	$0.94	90%
Final dividend per share	**$3.40**	$1.19	186%
	$5.19	$2.13	144%
Dividend payout ratio	**90%**	90%	N/A

	2007	2006	Change
KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Shareholders' funds ($'000)	**8,377,348**	5,257,586	59%
Total assets * ($'000)	**87,944,189**	40,464,406	117%
Net assets per share #	**$7.83**	$4.94	59%

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

Based on 1,069,228,714 shares as at 31 December 2007, being 1,070,285,346 shares issued and fully paid less 1,056,632 shares held for the Share Award Scheme (2006: 1,064,190,346 shares, being 1,065,448,346 shares issued and fully paid less 1,258,000 shares held for the Share Award Scheme)

BUSINESS REVIEW

Listing

Opening of Listing Regime

On 7 March 2007, The Stock Exchange of Hong Kong Limited ("Stock Exchange", "Exchange" or "SEHK") and the Securities and Futures Commission ("SFC") published a Joint Policy Statement Regarding the Listing of Overseas Companies. The policy statement is aimed at facilitating the listing of overseas companies on the Main Board or the Growth Enterprise Market ("GEM") by clarifying the listing requirements governing the listing of companies incorporated outside Hong Kong or the recognised/approved jurisdictions (Mainland China, Bermuda, the Cayman Islands, Australia and Canada (British Columbia)) and providing guidance for overseas companies to seek a listing in Hong Kong.

As an extension of this initiative, HKEx is studying the possible introduction of a mechanism that would allow issuers to list depository receipts on the Exchange within the existing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Main Board Listing Rules") and Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") (collectively "Listing Rules") framework subject to modification, if necessary.

Enhanced Transparency in Listing Enforcement Settlement Policy

As part of the Exchange's efforts to improve the transparency and efficiency of its enforcement actions, SEHK published a statement on 22 June 2007 outlining the Exchange's approach towards, and criteria for, settlement of disciplinary matters involving breaches of the Listing Rules, and the settlement procedures.

Implementation of Electronic Disclosure Project ("EDP")

Phase I of the initiative for straight-through electronic disclosure commenced successfully on 25 June 2007. During Phase I, which ended on 24 December 2007, Main Board issuers were required to publish a notification of an announcement in newspapers in addition to making the announcement available to investors on the HKEx website.

Phase II commenced on 25 December 2007 during which Main Board issuers with their own websites are no longer required to publish notifications in newspapers, but a Main Board issuer without its own website is still required to publish the full announcement in newspapers as well as on the HKExnews website. From 25 June 2008, every issuer must have its own website through which the public is able to access published announcements free of charge.

The electronic disclosure regime provides the foundation for further potential developments such as real time electronic disclosure during trading hours. As a first step, the Exchange announced on 1 February 2008 transitional arrangements that allow issuers to publish all types of announcements, not only financial results announcements, during the lunchtime publication window between 12:30pm to 2:00pm. Consequently, investors will have at least half an hour to evaluate the contents of announcements published during the lunchtime window prior to the beginning of the afternoon trading session at 2:30pm. Furthermore, an issuer's securities would not be subject to suspension if that issuer publishes an announcement containing price sensitive information between 6:00am and 9:00am or during the lunchtime publication window.

To strengthen Hong Kong's market infrastructure for issuer disclosure, the Exchange launched the HKExnews website (www.hkexnews.hk), a new website designated for regulatory filings of Hong Kong listed issuers on 4 February 2008. The bilingual website with separate Internet infrastructure from the HKEx website provides latest regulatory announcements and documents published by listed issuers in accordance with the Listing Rules or Part XV – Disclosure of Interests ("DI") of the Securities and Futures Ordinance ("SFO"). It also maintains a depository of archived regulatory filings made by Hong Kong listed issuers since 1999 for public retrieval free of charge.

GEM Review

On 27 July 2007, SEHK released a consultation paper on GEM to invite comments on the proposals to further develop GEM as a second board. A total of 11 submissions had been received, which were posted on the HKEx website in November 2007. The consultation conclusions and the rule amendments will be published in 2008.

Survey of Corporate Governance Practices

At the end of July 2007, SEHK sent a questionnaire to all listed issuers as part of its review of compliance with the Code on Corporate Governance Practices ("CG Code") of the Listing Rules. A report on implementation of corporate governance practices was published on 29 February 2008, following which the Exchange shall conduct a review of the CG Code to identify areas for enhancement.

Consultation Paper on Periodic Financial Reporting

SEHK released a consultation paper on Periodic Financial Reporting on 31 August 2007. The paper sets out SEHK's proposals to: (a) shorten the half-year and annual reporting deadlines for Main Board issuers; (b) introduce mandatory quarterly reporting for Main Board issuers; and (c) align the GEM quarterly reporting requirements with the proposed new Main Board requirements. The consultation conclusions will be published in due course.

Web Proof Information Pack ("WPIP")

On 5 November 2007, SEHK and the SFC published a joint policy statement on a pilot scheme for posting a WPIP. The posting of WPIPs principally seeks to address the apparent inequality of information between institutional and retail investors by providing members of the public information about a listing applicant and its business at an earlier stage in the listing process. Effective 1 January 2008, a WPIP is required to be submitted to the Exchange for posting on the HKEx website before information about the listing applicant is first provided to institutional investors. The requirement will be codified in the Listing Rules following completion of the pilot scheme.

Facilitating Listing of Structured Products

In December 2007, SEHK announced measures to facilitate the listing of a wider range of Market Access Products ("MAPs"). Generally, MAPs are structured products issued over a security listed on an overseas exchange, a commodity asset or a derivative contract, or an index based on any of the foregoing.

The list of overseas exchanges recognised for the purposes of issuing structured products was expanded from 33 to 66, covering all members of the World Federation of Exchanges and certain other exchanges. The duration of MAPs can range from three months to perpetual through a rollover mechanism every five years subject to maintaining the required credit rating. If the issuer does not meet the requirement, the structured product will expire and investors will be paid out in accordance with a pre-determined settlement formula.

Combined Consultation Paper

In an effort to maximise the efficiency with which the Exchange consults the market, SEHK published on 11 January 2008 a Combined Consultation Paper which sets out 18 substantive corporate governance and other policy issues that the Exchange would wish to seek market input. The consultation period will end on 7 April 2008.

Initial Public Offering ("IPO") Processing

In 2007, a total of 154 listing applications were vetted, of which 125 were new applications and 29 applications were brought forward from 2006. A total of 106 first comment letters were issued to new listing applicants. The average time between receipt of an application and the issuance of the first comment letter and the median both were 21 calendar days (2006: 20 calendar days), and 99 per cent (2006: 95 per cent) of the listing applicants received the first comment letter within 31 calendar days.

In 2007, a total of 105 applications (2006: 75 applications) were brought to the Listing Committee and the GEM Listing Committee (collectively "Listing Committees") (or their delegates) for decisions, of which 80 cases (76 per cent) (2006: 75 per cent) were reviewed by the respective Listing Committees (or their delegates) within 120 calendar days, while eight cases (8 per cent) (2006: 12 per cent) were reviewed in more than 180 calendar days.

Seventy-nine requests for guidance from listing applicants or their advisers seeking clarifications of the Listing Rules relevant to new listing applications were responded to in 2007. Written responses were made within 60 calendar days with 97 per cent (2006: 90 per cent) were responded within 25 calendar days.

To cultivate a more effective and flexible regulatory environment, the Listing Committees, at the July 2006 policy meeting, endorsed proposals giving the Listing Division additional flexibility in presenting listing applications to the Listing Committees after such cases have been reviewed by the Listing Division for at least 50 business days and upon satisfaction of certain conditions set out in the Listing Committee Annual Report 2006. In 2007, seven cases were presented to the Listing Committees for consideration under these circumstances.

Compliance and Monitoring

Year 2007 witnessed significant increases in listed company activities and SEHK has continued to target its monitoring resources in areas which pose the greatest risks to the maintenance of a fair, orderly and informed market, for instance, disclosure of price sensitive information and corporate governance issues.

In 2007, out of the approximately 19,000 announcements vetted, more than 8,200 announcements or 43 per cent were post-vetted (2006: more than 4,100 announcements or 36 per cent). Additionally, announcements issued pursuant to enquiries on unusual share price and volume movements in the trading of securities (2007: 5,600, 2006: 3,500) are subject to post-vetting. In order to focus its regulatory resources on matters that pose a higher risk to Listing Rules compliance, SEHK is consulting the market on proposed amendments to the Listing Rules to cease pre-vetting of all announcements, with the objective of shifting its regulatory focus from pre-vetting towards post-vetting monitoring and enforcement.

In 2007, a total of more than 10,000 share price and trading volume monitoring actions were taken (2006: 7,700), and over 58,000 press articles on listed companies were reviewed (2006: 5,000).

As part of an ongoing process to improve efficiency and the effective use of resources, modified benchmarks applied to determine the appropriate cases referred to the Listing Enforcement Department were put in place during 2007.

Where the facts of a case of possible breach rest upon conduct, which gives rise to potentially serious implications for shareholders and the market, referrals to the Listing Enforcement Department were and will continue to be made for investigation. The Listing Enforcement Department may then initiate appropriate formal disciplinary proceedings before the Listing Committees and take other regulatory action as may be considered appropriate. The Compliance and Monitoring Department has and will continue to resolve cases of non-compliance where the facts do not have significant regulatory impact. The Compliance and Monitoring Department has provided guidance to listed companies on Listing Rules compliance by way of the issuance of 250 written guidance letters to listed companies in 2007. As a result of this change in practice, the number of cases referred from the Compliance and Monitoring Department to the Listing Enforcement Department for more formal and detailed investigation has decreased from 141 in 2006 to 90 in 2007.

Listing Enforcement

In 2007, a number of investigations arising from serious breaches of the Listing Rules were completed leading to the imposition of public and private sanctions by the Listing Committees. The relevant public criticisms, statements and censures can be found on the HKEx website.

Continuing a theme established in earlier years, recommendations have been made to the Listing Committees in appropriate cases to direct the correction of breaches and to improve corporate governance. Such directions covered, for example, the obligation to retain external assistance in the creation or revision of compliance structures. In some cases, the Listing Committees also required directors to undergo training to improve their knowledge of, and performance in, compliance matters, or required the listed issuers to take remedial action to rectify breaches of the rules.

In 2007, 11 cases were referred to the Listing Enforcement Department originating from a complaint, which might give rise, after investigation, to disciplinary proceedings. Of the 11 cases investigated, two were discontinued with no further action taken.

Listing Operations

The Listing Operations Department was established on 14 February 2007 to support the implementation of listing-related initiatives such as issuer regulatory filings and dissemination, automation of the IPO process, development and on-going regulation of debt and structured products and collaboration with the Shanghai and Shenzhen Stock Exchanges on projects concerning primary and secondary market regulation and operations.

During the year, a total of 7,025 derivative warrant listing applications were processed (2006: 3,094), of these 6,312 were new issues (2006: 2,823) and 713 were further issues (2006: 271). The Listing Operations Department also processed 391 listing applications for Callable Bull/Bear Contracts ("CBBCs") during the year, compared to 83 for 2006. A total of 26 new debt securities, including issues of Exchange Fund Notes, were listed in 2007.

During the year, the Latest Listed Company Information section remained one of the most popular sections on the HKEx website. A total of 120,622 issuer news items were submitted and published on this section of the HKEx website, including 102,153 disclosures issued by Main Board listed issuers and 18,469 disclosures by GEM listed issuers. The majority of issuer submissions were uploaded within two seconds. During the year, the HKEx website recorded over 150.7 million page views for Latest Listed Company Information (excluding visitors accessing IPO allotment results announcements).

Up to the end of 2007, the HKEx website housed a total of 560,490 archived issuer documents for public access free of charge. During the year, it recorded approximately 25 million searches for these issuer documents. Since 25 June 2007 when HKEx started to capture statistics on response times to search requests, 80 per cent of searches conducted generated the search results within 0.37 second (excluding the Internet transmission time which is beyond HKEx's control).

HKEx also administers the filing and publication of DI notices through the HKEx website in accordance with the SFC requirements and specifications under Part XV of the SFO. During the year, a total of 62,211 DI filings were submitted and published on HKEx website. Over 31 million page views for these notices were recorded in 2007.

Issuer Marketing

Overseas and local promotional activities

In 2007, intensive efforts were made to promote Hong Kong listings beyond Hong Kong and the Mainland. During the year, about 30 trips were arranged to other parts of Asia, including Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand and Vietnam, and other countries namely India, Kazakhstan, Russia, Mongolia and the US.

Moreover, six conferences were co-organised in Hong Kong and overseas to promote listing in Hong Kong. The former Secretary for Financial Services and the Treasury of the Government, Mr Frederick Ma, and the Secretary for Financial Services and the Treasury of the Government, Professor KC Chan respectively gave keynote speeches at the Almaty conference and the Ho Chi Minh City conference. In each of these two conferences, about 50 representatives from Hong Kong financial services firms were invited to share their experiences in conducting IPOs.

HKEx also strengthened ties with financial authorities and stock exchanges in more places by entering into a number of Memorandums of Understanding ("MOUs") on cooperation and exchange of information. These included the MOUs with the Abu Dhabi Securities Market, the Moscow Interbank Currency Exchange, the Hochiminh Stock Exchange and the Mongolian Stock Exchange.

Translation of "Listing in Hong Kong" Brochure

To facilitate marketing efforts, HKEx translated its listing information booklet "Listing in Hong Kong" into Japanese, Korean, Russian as well as Vietnamese. By providing listing information in more languages, HKEx aims to acquaint potential companies from more jurisdictions with the listing requirements for the Main Board and GEM.

Training Programmes on Listing Requirements

During the year, HKEx organised three training programmes in Hong Kong with The Hong Kong Polytechnic University and the Hong Kong & Macau Research Centre of the State Council Hong Kong and Macau office. The training programmes targeted accounting and finance senior management of H-share companies, and covered corporate governance areas and the latest rules and regulations relating to listing in Hong Kong.

Beijing Representative Office

Promotional Activities in the Mainland

As noted in our business strategies, to partner with the Mainland is always our principal focus. In 2007, HKEx continued its efforts to attract both state-owned and privately owned enterprises in the Mainland to list in Hong Kong. During the year, HKEx organised five major seminars and roundtable meetings in various provinces in the Mainland.

The marketing trips to promote Hong Kong listings in Changchun and Hohhot in September 2007 were led by our Chairman with over 50 representatives from 27 Hong Kong intermediaries participating. They included senior executives from investment banks, accountants, lawyers and venture capitalists.

To attract more quality companies to list in Hong Kong, over 70 marketing trips were made to different parts of the Mainland, including Beijing, Changsha, Chengdu, Foshan, Guangzhou, Hefei, Nanchang, Shanghai, Taicang, Xi'an and Zhenjiang. One-on-one meetings were arranged with potential issuers. In addition, HKEx has been working to build a closer relationship with the regulators and local government officials in the Mainland.

Training Programmes to Mainland issuers

During the year, HKEx conducted four training programmes in Beijing and Shanghai for the senior management of Hong Kong-listed Mainland issuers to familiarise them with their on-going listing obligations and the importance of good corporate governance.

Cash Market

Market Performance

In 2007, 82 companies were newly listed on the Main Board and two companies on GEM. Total capital raised, including post-listing funds, reached \$590.4 billion. As at 31 December 2007, 1,048 and 193 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about \$20,697.5 billion. In addition, there were 4,483 derivative warrants, seven Real Estate Investment Trusts, 17 Exchange Traded Funds ("ETFs"), 131 CBBCs and 175 debt securities listed as at the end of 2007. Average daily turnover in 2007 was about \$87.4 billion on the Main Board and about \$647 million on GEM.

Product Development

As at the end of 2007, 4,483 derivative warrants were listed on the Exchange. In 2007, the average daily turnover of the derivative warrants reached \$19.1 billion, accounting for 22 per cent of the total market turnover.

The number of CBBC issues has been growing rapidly. In 2007, 391 CBBCs were newly listed on the securities market, compared with 83 in 2006. When the CBBC market was launched in 2006, a temporary listing fee rebate of 70 per cent was given as an incentive to issuers. After considering the listing fees for similar products overseas, the fee rebate for CBBCs was replaced by an equivalent 70 per cent listing fee reduction on a permanent basis. In 2007, the CBBC market performed satisfactorily with total turnover of \$71.4 billion.

Eight additional ETFs were launched in 2007. Seven of them track the performance of shares listed in the Mainland, as well as regional and overseas markets. The other ETF offers exposure to a commodity index, the first of its kind listed in Hong Kong. As at the end of 2007, there were 17 ETFs listed on HKEx with total turnover of $160.6 billion for the year.

Introduction of Five-Digit Stock Codes

HKEx announced plans to expand the stock code usage beyond the existing range to 99999. Due to market momentum and strong investor demand for product variety, there has been strong growth in the listed structured product arena. HKEx believes that the expansion of the stock code range beyond four digits will add to investment choice, and plans to rollout five-digit stock codes in the second quarter of 2008, subject to market readiness.

Introduction of Closing Auction Session

HKEx published a consultation conclusion report on the proposed introduction of a closing auction session for its securities market on 19 July 2007. HKEx received 23 sets of market comments. The majority of the respondents were supportive of the proposal. HKEx will implement the closing auction session in the second quarter of 2008, subject to market readiness and the completion of market rehearsals.

Derivatives Market

Market Performance

Almost all futures and options contracts set records in 2007. The total turnover increased 105 per cent to 87,985,686 contracts (2006: 42,905,915 contracts).

The turnover of stock options rose by 154 per cent from the previous year to 45,982,968 contracts (2006: 18,127,353 contracts). There was also strong growth in Hang Seng China Enterprises Index ("H-shares Index") products, with the volume of H-shares Index Futures and H-shares Index Options up by 122 per cent to 10,846,277 contracts (2006: 4,880,470 contracts) and 128 per cent to 1,727,847 contracts (2006: 758,247 contracts) respectively.

Product Development

On 16 April 2007, HKEx introduced a new investment and hedging tool specific to Mainland banking and insurance stocks – Hang Seng China H-Financials Index Futures – for investors to better manage their market exposure to the Mainland financial sector.

With the introduction of six new stock option classes and three stock futures contracts in 2007, there were a total of 47 stock option classes for trading and hedging as at the end of the year. In addition, a third calendar quarter month was introduced for 10 selected stock option classes (five stock option classes in April and five in July) to meet trading demand for a longer term maturity.

Relaxation of Position Limits

On 30 March 2007, HKEx introduced a higher delta-based position limit for H-shares Index Futures and Options to meet the increasing need for hedging among market users. On 21 December 2007, the SFC implemented the arrangement to allow Exchange Participants ("EPs") and their affiliates to apply for excess limits (up to 50 per cent of the original limit) for Hang Seng Index ("HSI") and H-shares Index Futures and Options should the applicant be able to demonstrate that there is a business need, adequate financial capability and effective internal control procedures and risk management systems to manage the potential risks arising from such excess.

Improvements to Market Making Services

A new market maker regime for Hong Kong Futures Exchange Limited ("Futures Exchange" or "HKFE") products was introduced on 1 February 2007. Under the new arrangement, only EPs are registered as market makers while other qualified entities which are either regulated entities or have proven financial strength may be able to perform market making through the EPs. The exchange fee incentive scheme for market makers of stock index futures or options trading in other stock index products was also refined during the year to enhance its effectiveness.

On 2 April 2007, HKEx revised the market making obligations in terms of maximum bid/offer spread and minimum quote size requirements in stock options and stock futures to reflect the actual market condition in the underlying stocks and to balance the market risks faced by market makers. Improvements in the market making services for stock futures were made at the same time, which included a shortening of the response time to quote requests from 1 minute to 10 seconds; an increase in the quote display time from five seconds to 20 and an increase in the quote size for providing continuous quote from five contracts to 10.

Extension of Pre-market Opening Arrangement

The pre-market opening arrangement is considered useful in establishing an orderly market open and enhancing market efficiency. On 8 January 2007, the arrangement was extended to the H-shares Index Futures market, and it has been widely used by market participants.

Enhancements to Block Trade Facility

To improve the extension of HKEx's clearing services to trades conducted over-the-counter, certain features of the Block Trade Facility provided on the Hong Kong Futures Automated Trading System ("HKATS") were enhanced to facilitate the execution of block trades by EPs effective 3 September 2007. The requirements whereby a block trade had to be executed at the prevailing bid, the prevailing ask, or the only traded price if that was the only price available were removed, and EPs are required to execute the block trade at a fair and reasonable price in cases where the specified price range is not available. In addition, the order size limit for stock futures and stock options (on all order types) was increased from 1,000 contracts to 5,000.

Feasibility Study of Trading Commodities Derivatives and Emissions-related Products

The consultants completed their respective feasibility studies of trading commodities derivatives and emissions-related products at HKEx in December 2007. After considering the consultants' recommendations, HKEx will, as a start, work to facilitate the listing of emissions-related structured products and ETFs and the listing of gold-related structured products and ETFs on its securities market. Meanwhile, HKEx will seek to partner with an overseas exchange to build a trading/clearing platform for trading in carbon (eg, greenhouse gases allowances and credits) and/or other emissions-related products in Hong Kong, and will explore establishing an auction in Hong Kong for Certified Emissions Reduction units. In addition, HKEx will prepare a proposal on trading cash-settled gold futures and options on its markets for submission to the SFC.

Education for EPs and Investors

In 2007, more than 100 training courses and seminars on futures and options were conducted for EPs' staff and investors. In the second half of 2007, HKEx provided sponsorship to eight EPs to conduct public investor seminars on stock options. To further promote the popularity of stock options, HKEx also sponsored an Online Promotional Programme launched by EPs who offered Q&A games on their websites, posted banner advertisements and sent electronic promotional materials to their clients. In November 2007, HKEx participated in a 10-week programme organised by EPs to promote China-related futures and options.

Overseas and Mainland Marketing

In June 2007, HKEx participated in the "FIA/FOW Derivatives Exhibition" held in London to promote HKEx as an international marketplace for trading China-related futures and options. In October 2007, HKEx also participated in the "FIA Asia Derivatives Conference" in Taipei as an exhibitor, and delivered a speech on the Derivatives Market development at HKEx.

To promote the Hong Kong financial markets to Mainland brokers and to invite them to become EPs under the Closer Economic Partnership Arrangement III (CEPA III), HKEx organised a seminar in Shanghai in May 2007. During the year, three Mainland securities brokers and two Mainland futures brokers were successfully accepted as Participants of SEHK and HKFE respectively.

Clearing

Enhancements to Stock Segregated Account ("SSA") with Statement Service

During the year, Hong Kong Securities Clearing Company Limited ("HKSCC") introduced new features to its SSA with Statement Service.

As of 2 January 2007, the Central Clearing and Settlement System ("CCASS") Broker and Custodian Participants are provided with online functions to open SSAs and to maintain detailed profiles. SSA users can choose to receive physical statements in either English or Chinese, and enquire about their stock balances and movements in the accounts electronically through the CCASS Internet System and CCASS Phone System. SSA users can also opt to receive alerts via Short Message Service ("SMS") and/or by email when there is any movement in the SSA.

Effective 9 July 2007, SSA users can receive corporate communications directly from share registrars, and give voting instructions electronically to CCASS Broker and Custodian Participants. They can opt to use the affirmation function to confirm the transfer of shares out of the SSA, and to settle stock transfers "Free of Payment" or "Delivery Against Payment". The limit on the number of SSAs that can be opened by each CCASS Participant has been lifted.

Improvements to CCASS Nominee Services

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

In addition, issuer announcements published on the HKEx website have been automated for broadcast by CCASS to Participants since 3 December 2007.

In mid-2007, HKSCC conducted a feasibility study of extending the CCASS electronic voting service to the clients of Broker and Custodian Participants who are not SSA users. After considering various models and alternatives, and taking into account the general view of market participants that extension of the service might be premature under the current infrastructure, HKEx decided not to proceed with the proposal. Any shareholders who want to use the CCASS electronic voting service are encouraged to open SSAs through their brokers or custodians or

Investor Participant ("IP") accounts directly with HKSCC.

IP Account Service Fee Waiver

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

Enhancements to IPO Related Service

In July 2007, HKSCC introduced two enhancements to help streamline IPO procedures for its Participants. CCASS has been enhanced to enable a listed company to pay, by autopay, the one per cent brokerage commission to EPs on successful applications for its IPO. Moreover, CCASS Broker and Custodian Participants can obtain via CCASS Terminals a Yellow Form Share Allotment Report in respect of their clients' yellow form applications on the day the allotment results are announced.

In December 2007, CCASS was also enhanced to allow listed issuers to appoint more than one receiving bank to collect application monies for applications submitted through the CCASS electronic IPO ("eIPO") service. Under this arrangement, application monies in respect of eIPO applications submitted by a Participant can be collected by its designated bank if it also acts as a sub-receiving bank (though not the nominee bank) under the eIPO service.

Extension of the Derivatives Clearing and Settlement System ("DCASS") Cutoff Time

Effective 9 July 2007, the cutoff time for the input of post-trade transactions by HKFE Clearing Corporation Limited ("HKCC") and The SEHK Options Clearing House Limited ("SEOCH") Participants was extended by 30 minutes from 6:15pm to 6:45pm with the support of advanced backup technology to handle DCASS day-end batch processing.

Third Party Clearing ("TPC") and Remote Exchange Participantship

HKSCC introduced TPC to the securities market on 3 December 2007. Under the new clearing framework, General Clearing Participant ("GCP") and Direct Clearing Participant are the two categories of HKSCC Clearing Participantship. An EP can now trade on the Exchange without becoming a CCASS Clearing Participant by outsourcing all its CCASS-related clearing functions to a GCP which will assume all the EP's trade settlement obligations in CCASS.

HKEx is now working on the proposal to launch Remote Exchange Participantship for the Cash and Derivatives Markets. Under the proposal, a brokerage service provider which is not incorporated in Hong Kong and has not established a licensed brokerage in Hong Kong would be admitted as a Remote EP by obtaining a trading right from HKEx, installing the necessary trading facilities and appointing a GCP who can clear all its trades in Hong Kong on its behalf.

Increase in CCASS Shareholding Transparency

HKEx plans to introduce a new CCASS shareholding disclosure service to the public. At present, listed issuers can request from the HKSCC reports on the shareholdings of all CCASS Participants on a specified date. It is expected that the shareholding information of CCASS Participants, except those IPs who have not consented to the disclosure, will be made available free of charge to the public via a dedicated HKEx website after the launch of the service, tentatively, in the second quarter of 2008.

Risk Management

Risk Management Measures

The three clearing houses have harmonised their stress testing methodologies, which are applied to assess the adequacy of financial resources for risk management, to follow the standards set by the International Organisation of Securities Commissions. In addition, amendments have been made to the rules of the three clearing houses to enhance the legal protection of their respective Guarantee/Reserve Funds.

To enhance the quality of the daily settlement price ("DSP"), HKCC and SEOCH aligned their methodologies for determining the DSP on 7 May 2007. The aligned methodologies require the use of available market prices in lieu of theoretical prices when determining the DSP. Theoretical prices would only be used for reference when a market price is not available. The clearing houses will conduct reasonableness checks on the DSP and make adjustments where appropriate.

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

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

The alignment of SEOCH with HKCC on the treatment of interest on Variable Contributions ("VC") to the Reserve Fund ("RF") and the use of non-cash collateral to meet the demand for VC to the RF took effect on 1 November 2007.

Default of Participants

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

On 31 August 2007, HKSCC declared Man Lung Hong Securities Limited ("MLH") a defaulter and closed out the unsettled positions of MLH in CCASS following the issuance of a restriction notice by the SFC. HKSCC applied the collateral provided by MLH to cover the closing-out losses and will proceed to recover the balance of the losses of about $178,000.

On 12 November 2007, HKSCC declared Great Honest Investment Company Limited ("Great Honest") a defaulter and closed out the unsettled positions of Great Honest in CCASS following the issuance of a restriction notice by the SFC. HKSCC did not suffer any loss in the default case.

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

Information Services

Market Performance

As at the end of 2007, there were 92 real-time information vendor licences for Cash Market data (2006:75) and 41 real-time licences for Derivatives Market data (2006:37). Licensed information vendors together offered a total of 555 types of real-time market data services to the market (2006: 490).

New Policy on Delayed Market Data

Commencing 2 April 2007, HKEx adopted a new delayed market data policy. Delayed market data vendors are now allowed to redistribute delayed securities and futures data to their subscribers with a delay of only 15 minutes.

As at the end of 2007, the number of delayed market data vendors was 42 (2006: 42). Information vendors licensed for the redistribution of delayed securities market data were subject to a fixed monthly flat fee of $5,000 starting January 2008. More than 20 new delayed data licence applications are currently being processed.

Extension of Mainland Discount Programme

HKEx has extended its discount programme for real-time securities trading information for the Mainland China region, under which authorised information vendors can offer real-time securities information to Mainland subscribers at a discounted price of $80 per month (the regular per device fee is $200 per month). The programme has been extended to 2008 and has been well-received with the number of devices subscribed under the programme increasing more than threefold. As at the end of 2007, there were 22 authorised information vendors registered under the programme. The fee for corporate clients was revised from $80 per month to $120 with effect from 1 January 2008.

Editorial Package for Real-time Information Vendors

HKEx introduced a new editorial package on 1 July 2007 for all real-time information vendors who have in-house news and editorial teams to provide news, analysis or commentary services to complement real-time market data services.

Under the package, the data fee for a certain number of real-time devices used by the editorial team will be waived. Data fees for additional devices used by the editorial team will be provided at discounted prices. The package is aimed at encouraging information vendors to increase coverage of the Hong Kong securities and derivatives markets.

Enhancements to Information Systems

For the rollout of EDP, HKEx has redeveloped Issuer Information Feed System ("IIS"), the information feed used to provide issuer announcements and financial reports. IIS is now equipped with a higher capacity, a resilient disaster recovery site and a File Transfer Protocol file retrieval function capable of delivering announcements with multiple headlines. In addition, the delivery speed has been significantly enhanced. HKEx also lowered the standard fee for IIS information vendors on 1 June 2007. The number of IIS information vendors increased from three to five in 2007.

In parallel, Market Data Feed ("MDF"), the information feed used for securities market data, was also enhanced to provide alerts whenever a disclosure made by their selected issuers is posted on the HKEx website. With increased market activities, the allocated bandwidth for MDF was increased from 384kbps to 470kbps and the message throughput for Price Reporting System ("PRS") (with price depth) was increased from 500mps to 900mps in August 2007.

Retirement of Realtime Digital Data Service ("RDDS")

HKEx retired the aging RDDS at the end of 2007. RDDS, first introduced in 1986, was an information feed providing real-time securities price updates on a snapshot basis. Some incumbent RDDS vendors migrated to MDF. The retirement of the RDDS allows HKEx to focus its resources on its premium datafeed service and to render high quality services to the market.

Review of Technical Requirements for Information Vendors

As a result of the review exercise at the end of 2006 of the service recovery requirements for information vendors, HKEx has made automatic system failover capability a pre-requisite for information vendors connecting directly to HKEx market data systems. The new policy is to ensure that HKEx information vendors have adequate recovery arrangements and resilience to minimise service disruption to the market and investors. HKEx arranged a number of market rehearsals for existing information vendors to test their system capability on automatic system failover arrangements in 2007, and will continue to offer similar arrangements in 2008. In 2007, we also made it a mandatory requirement for feed-providing information vendors to have dual live connections with our market data systems in order to enhance the overall resilience of the market and to ensure more stable services for investors.

Derivatives Market Data on HKEx Website

To improve the transparency of the Derivatives Market, additional information has been made available on the HKEx website since February 2007, including delayed intra-day prices and turnover of all futures and options contracts traded on the HKEx Derivatives Market, a chart showing the real-time index level and intra-day movement of the H-shares Index, and the latest turnover of HSI Futures and H-shares Index Futures contracts.

Enhancements to Issuer News Alert Service

In April 2007, the Issuer News Alert Service under the Investment Service Centre on the HKEx website ("ISC") was enhanced to provide better service to investors. HKEx has upgraded the email/SMS news alert service by doubling the maximum number of companies per subscription from 10 to 20 and shortening the interval between alerts from one hour to 30 minutes. Subscribers of the service will receive alerts from HKEx by email and/or SMS whenever there is publication on the HKEx website of a document from or a DI notice relating to one of their designated listed companies. As at the end of 2007, there were 38,035 ISC registered users and, on average, over 50,000 emails/SMS alerts were sent to the subscribers daily.

Adoption of Hang Seng Industry Classification

To better serve the needs of investors and other market participants, HKEx has signed an agreement with Hang Seng Indexes Company Limited to adopt the Hang Seng Industry Classification System ("HSICS") to replace a classification system maintained by HKEx to better reflect the business nature of companies listed on the Stock Exchange. The HSICS meets the unique characteristics of the Hong Kong stock market while providing international compatibility. Individual company classifications under the HSICS became accessible through the Company/Securities Profile section of the ISC as of 31 December 2007.

Order and Trade File Service

In 2007, HKEx introduced a new information service called the Order and Trade File Service ("OTFS"). The OTFS is restricted to the Stock Exchange Participants and provides the subscriber with its own orders, all trade tickers reported by the Third Generation Automatic Order Matching and Execution System ("AMS/3") as well as the best bid/ask prices for each stock at the end of each trading day. The service will facilitate the EPs to analyse their trading activities and to perform their in-house risk management and compliance functions. The service will come to production for its first batch of clients on 1 February 2008.

Information Technology

Production Systems Stability and Reliability

During the year, all major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets operated by HKEx continued to maintain 100 per cent operational system uptime.

System Capacity Planning and Upgrade

In the Cash Market, the processing capacity of AMS/3 was increased from 1.2 million trades to 1.5 million per day in January 2007. Correspondingly, the Latest Generation of Central Clearing and Settlement System ("CCASS/3") was upgraded to ensure that it could also support 1.5 million trades per day.

In view of increasing market momentum, HKEx further enhanced the capacity of AMS/3 from 1.5 million trades to five million per day in January 2008. Additional processing power was added to the CCASS/3 mainframe system to increase the capacity from 1.5 million trades to 2.5 million daily in December 2007. MDF was also upgraded to support the increased volume of Cash Market data. Further upgrades to CCASS/3 capacity and technology are underway. In March 2008, HKEx will enhance the CCASS/3 data storage and the LAN infrastructure to be able to handle five million trades per day. HKEx will strengthen the hardware technology of CCASS/3 middle tier subsystems in August 2008.

To prepare well for growing opportunities, HKEx will consider further upgrading its various market systems to support 7.5 million trades per day at the end of 2008.

In the Derivatives Market, the respective capacities of the HKATS, DCASS and PRS were doubled in mid-2007. After completing a review of the systems in December 2007, HKEx decided to further increase the capacity of DCASS and PRS in 2008.

In March 2007, HKEx increased the capacity of the HKEx website and its Internet infrastructure to handle the rapid and substantial increase in website visits and enquiries from the investing public.

Obsolete Technology Replacement and Upgrade

In March 2007, the CCASS/3 middle-tier system was upgraded to the IBM Websphere software which is an open platform enabling better price performance and higher operational flexibility for future hardware upgrade. In April 2007, all the AMS/3 Open Gateway ("OG") and Multi-workstation System installed at EPs' premises were upgraded to address technology obsolescence as well as to handle larger order flow and a higher volume of market data updates.

On 3 March 2008, HKEx upgraded the HKATS and DCASS application systems to Release 19.1, which offers new functional and technical capabilities for the benefit of market users. For instance, EPs will be able to execute block trades faster and more efficiently, and information on the number of block trades executed in each series will be disseminated to improve the transparency of block trades.

Moreover, enhancements were made to the Securities Market Automated Research, Training & Surveillance System (SMARTS) to provide advanced features and higher performance and capacity to further improve HKEx's market surveillance capability.

System Consolidation and Operational Efficiency

In July 2007, HKEx completed the final phase of the implementation of SDNet, a project begun in January 2005. SDNet is an integrated Optical Ethernet network infrastructure for the Cash and Derivatives Markets trading, clearing and settlement, and market data dissemination systems. The successful migration to the SDNet resulted in a 20 per cent cost saving for EPs and offers higher bandwidth and scalability to better serve increased order flow and market data traffic.

HKEx also launched a Designated Issuer Website ("DIW") with enhanced content and enriched functions for the dissemination of issuer-related information and regulatory news. The DIW, built on a dedicated Internet infrastructure, provides high resilience and improved capacity to serve the public.

In April 2007, the Derivatives Risk Management System was redeveloped to enhance operational automation and to further improve the risk management capability of HKEx.

Implementation of Finance Management Information System ("MIS") and redevelopment of Participant MIS were completed during the year to facilitate better business analysis and data availability. To facilitate the analysis and market surveillance, HKEx began developing the Participant Financial Resources Surveillance system to automate the processing of financial return data.

In December 2007, HKEx completed the rationalisation of the AMS/3 information pages to streamline the stock information pages disseminated through the AMS/3 trading devices and to MDF information vendors.

Treasury

The Group's funds available for investment comprise Corporate Funds, Margin Funds and Clearing House Funds, totalling $49.7 billion on average in 2007 (2006: $25.6 billion).

As compared with 2006, the overall size of funds available for investment as at 31 December 2007 increased by 130 per cent or $39.1 billion to $69.1 billion (2006: $30.0 billion). Details of the asset allocation of the investments as at 31 December 2007 against those as at 31 December 2006 are set out below.

	Investment Fund Size $ billion		**Bonds**		**Cash or Bank Deposits**		**Global Equities**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Corporate Funds	**11.5**	5.9	**50%**	52%	**47%**	41%	**3%**	7%
Margin Funds	**55.4**	21.8	**30%**	51%	**70%**	49%	**0%**	0%
Clearing House Funds	**2.2**	2.3	**16%**	14%	**84%**	86%	**0%**	0%
Total	**69.1**	30.0	**33%**	48%	**66%**	51%	**1%**	1%

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the Clearing House Funds and Margin Funds. Excluding equities held under the Corporate Funds ($0.3 billion as at 31 December 2007 and $0.4 billion as at 31 December 2006), which have no maturity date, the maturity profiles of the remaining investments as at 31 December 2007 ($68.8 billion) and 31 December 2006 ($29.6 billion) were as follows:

	Investment Fund Size $ billion		**Overnight**		**>Overnight to 1 month**		**>1 month to 1 year**		**>1 year to 3 years**		**> 3 years**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Corporate Funds	**11.2**	5.5	**33%**	24%	**13%**	16%	**36%**	30%	**12%**	20%	**6%**	10%
Margin Funds	**55.4**	21.8	**41%**	32%	**26%**	22%	**32%**	46%	**1%**	0%	**0%**	0%
Clearing House Funds	**2.2**	2.3	**84%**	86%	**0%**	0%	**16%**	14%	**0%**	0%	**0%**	0%
Total	**68.8**	29.6	**41%**	35%	**23%**	19%	**32%**	40%	**3%**	4%	**1%**	2%

Credit exposure is well diversified. The Group's bond portfolio held is of investment grade and, as at 31 December 2007, had a weighted average credit rating of Aa1 (2006: Aa2) and a weighted average maturity of 0.6 year (2006: 0.7 year). Deposits are placed only with the note-issuing banks in Hong Kong, investment grade licensed banks and restricted licence banks approved by the Board from time to time.

Risk management techniques, such as Value-at-Risk ("VaR") and portfolio stress testing, are used to identify, measure, monitor and control market risks. VaR measures the expected maximum loss over a given time interval (a holding period of 10 trading days is used by the Group) at a given confidence level (95 per cent confidence interval is adopted by the Group) based on historical data (one year is used by the Group). The overall risk, as measured by the VaR methodology, during 2007 and 2006 was as follows:

	Average VaR $ million		**Highest VaR** $ million		**Lowest VaR** $ million	
	2007	2006	**2007**	2006	**2007**	2006
Corporate Funds	**15.0**	14.0	**19.1**	15.9	**11.2**	12.3
Margin Funds	**13.8**	7.8	**25.7**	9.4	**10.1**	4.1
Clearing House Funds	**0.4**	0.4	**0.6**	0.6	**0.1**	0.2

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

Investment in an Associate

Computershare Hong Kong Investor Services Limited ("CHIS")

On 29 March 2007, the Group entered into an agreement to sell all of its 30 per cent interest in CHIS for a consideration of $270 million. The transaction was completed on 3 April 2007. The accounting profit on disposal of the investment amounted to $206 million.

FINANCIAL REVIEW

Overall Performance

	2007 $'000	2006 $'000
RESULTS		
Income:		
Income affected by market turnover	**5,290,786**	2,390,846
Stock Exchange listing fees	**688,538**	465,445
Income from sale of information	**678,909**	391,213
Net investment income	**1,238,228**	601,080
Other income	**494,009**	298,332
	8,390,470	4,146,916
Operating expenses	**1,411,565**	1,210,573
Operating profit	**6,978,905**	2,936,343
Gain on disposal of an associate	**206,317**	-
Share of profits of associates	**5,587**	27,124
Profit before taxation	**7,190,809**	2,963,467
Taxation	**(1,021,531)**	(444,898)
Profit attributable to shareholders	**6,169,278**	2,518,569
Basic earnings per share	**$5.78**	$2.37
Diluted earnings per share	**$5.72**	$2.34
Interim dividend per share	**$1.79**	$0.94
Final dividend per share	**$3.40**	$1.19
	$5.19	$2.13
Dividend payout ratio	**90%**	90%

The Group achieved record high profit for the fourth consecutive year in 2007. Profit attributable to shareholders increased by 145 per cent to $6,169 million for the year ended 31 December 2007, compared with $2,519 million for 2006 mainly due to higher turnover-related income, higher net investment income and the one-off gain on disposal of an associate during the year.

Due to positive market sentiment stimulated by sustained economic growth in the Mainland and the relaxation of rules governing the permissible investments under the Qualified Domestic Institutional Investor ("QDII") scheme and the proposed Pilot Programme for Direct Foreign Portfolio Investments by Domestic Individuals under which Mainland individuals would be allowed to directly invest in products listed in Hong Kong, activity on the Stock Exchange and the Futures Exchange increased substantially, in particular in the second half of 2007. Several new records were achieved in the Cash and the Derivatives Markets in 2007, including the highest total equity capital raised, record annual turnover on the Cash Market and the highest number of contracts traded on the Derivatives Market. As a result, total turnover-related income of the Group increased significantly.

Net investment income more than doubled due to the increase in net interest income as a result of the significant increase in fund size available for investment. Stock Exchange listing fees and income from the sale of information also increased by almost half or more.

Moreover, the Group disposed of its entire interest in an associate, CHIS, during the year and generated a gain of $206 million.

Total operating expenses increased by 17 per cent during the year mainly due to increases in staff costs and premises expenses driven by the buoyant job and property markets, and higher legal and professional fees but partly offset by a decrease in depreciation.

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which have been aligned with the requirements of International Financial Reporting Standards in all material respects as at 31 December 2007.

Income

(A) Income affected by market turnover

	2007 $'000	2006 $'000	Change
Trading fees and trading tariff	**3,086,250**	1,340,355	130%
Clearing and settlement fees	**1,577,433**	674,373	134%
Depository, custody and nominee services fees	**627,103**	376,118	67%
Total	**5,290,786**	2,390,846	121%

Key market indicators

	2007	2006	Change
Average daily turnover value on the Stock Exchange	**$88.1 billion**	$33.9 billion	160%
Average daily number of derivatives contracts traded on the Futures Exchange	**171,440**	100,318	71%
Average daily number of stock options contracts traded on the Stock Exchange	**187,686**	73,390	156%

Trading fees and trading tariff

The increase in trading fees and trading tariff from the Cash Market was mainly due to the significant increase in turnover of the Cash Market. Several new records were achieved in the Cash Market in 2007, including the highest total market turnover and the highest trading turnover of H shares and derivative warrants.

The increase in trading fees and trading tariff from the Derivatives Market was mainly driven by the increase in the number of contracts traded on the Derivatives Market. The total number of futures, options, HSI Futures and Options, H-shares Index Futures and Options and stock options traded was at record high in 2007.

Clearing and settlement fees

Clearing and settlement fees are derived predominantly from Cash Market transactions. The increase in clearing and settlement fees in 2007 was mainly due to the higher turnover of the Cash Market. Despite being mostly ad valorem fees, clearing and settlement fees were affected by the volume of settlement instructions and subject to a minimum and a maximum fee per transaction and may not always move exactly with the changes in Cash Market turnover. Clearing and settlement fees did not increase linearly with Cash Market turnover as a higher proportion of the value of transactions was subject to the maximum fee and a lower proportion of the value of transactions was subject to the minimum fee in 2007.

Depository, custody and nominee services fees

Depository, custody and nominee services fees mainly comprised scrip fees, eIPO handling fees, stock custody fees, dividend collection fees, corporate action fees and stock withdrawal fees. Depository, custody and nominee services fees increased significantly mainly due to higher scrip fees, eIPO handing fees and corporate action fees as a result of increased activity of the Cash Market. The fees were influenced by the level of Cash Market activity but did not move proportionately with changes in Cash Market turnover as they varied mostly with board lots rather than the value of the securities concerned and many were subject to a maximum fee. Moreover, scrip fee was only chargeable on the net increase in individual Participants' aggregate holdings of the securities on book closing dates.

(B) Stock Exchange listing fees

	2007 $'000	2006 $'000	Change
Annual listing fees	**308,163**	274,586	12%
Initial and subsequent issue listing fees	**374,239**	184,601	103%
Others	**6,136**	6,258	(2%)
Total	**688,538**	465,445	48%

The increase in annual listing fees was attributable to the higher number of listed securities. Initial and subsequent issue listing fees more than doubled due to the increase in the number of newly listed companies on the Main Board and the substantial increase in number of newly listed derivative warrants.

Key drivers for annual listing fees

	As at 31 Dec 2007	As at 31 Dec 2006	Change
Number of companies listed on Main Board	**1,048**	975	7%
Number of companies listed on GEM	**193**	198	(3%)
Total	**1,241**	1,173	6%

Key drivers for initial and subsequent issue listing fees

	2007	2006	Change
Number of newly listed derivative warrants	**6,312**	2,823	124%
Number of newly listed CBBCs	**391**	83	371%
Number of newly listed companies on Main Board	**82**	56	46%
Number of newly listed companies on GEM	**2**	6	(67%)
Number of other newly listed securities on Main Board and GEM	**98**	93	5%
Total number of newly listed securities	**6,885**	3,061	125%

	2007 $ billion	2006 $ billion	Change
Total equity funds raised on Main Board	**570.9**	516.0	11%
Total equity funds raised on GEM	**19.5**	8.5	129%
Total	**590.4**	524.5	13%

(C) Income from sale of information

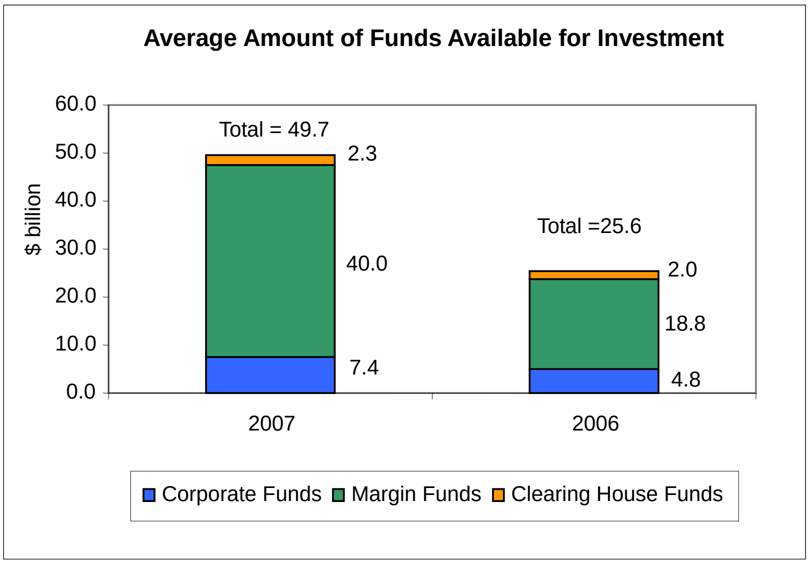
	2007 $'000	2006 $'000	Change
Income from sale of information	**678,909**	391,213	74%

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

(D) Net investment income

	2007 $'000	2006 $'000	Change
Gross investment income	**1,949,955**	1,043,750	87%
Interest expenses	**(711,727)**	(442,670)	61%
Net investment income	**1,238,228**	601,080	106%

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

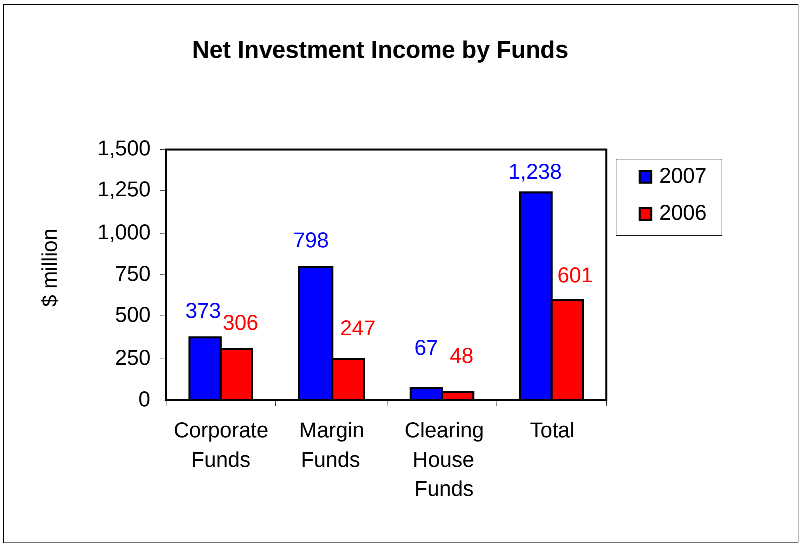


The increase in average amount of Corporate Funds was mainly due to higher profit net of dividends paid.

Average amount of Margin Funds rose primarily because of the increased open interest in futures and options contracts and the higher margin rate required per contract.

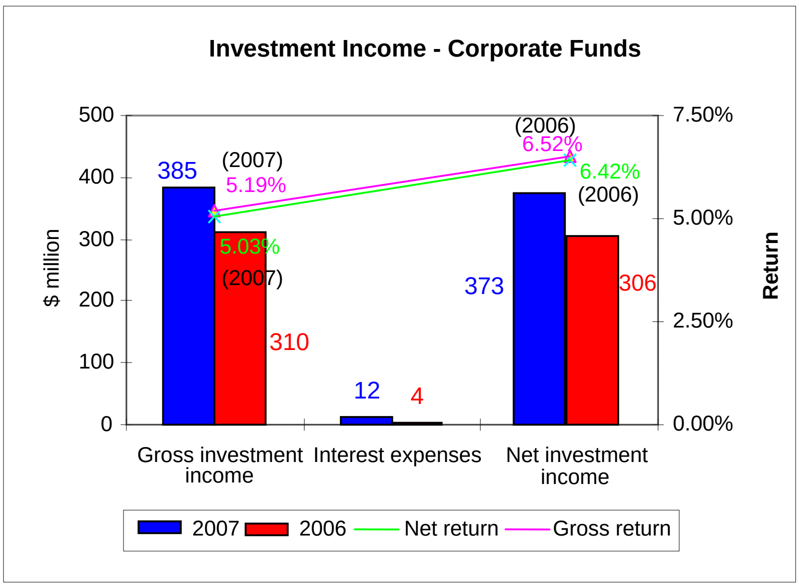
The higher average amount of Clearing House Funds was mainly due to the increase in average balance of additional contributions from Participants throughout the year in response to market fluctuations and changes in risk exposure.

The movements in net investment income by Funds were as follows:

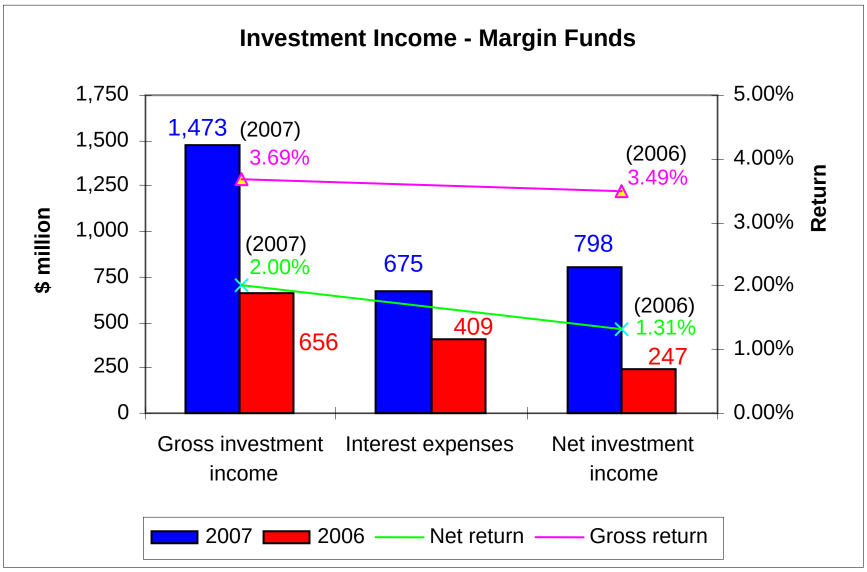


The higher net investment income was primarily due to the significant increase in net interest income of all funds arising from increases in fund size.

The analysis of investment income by Funds was as follows:

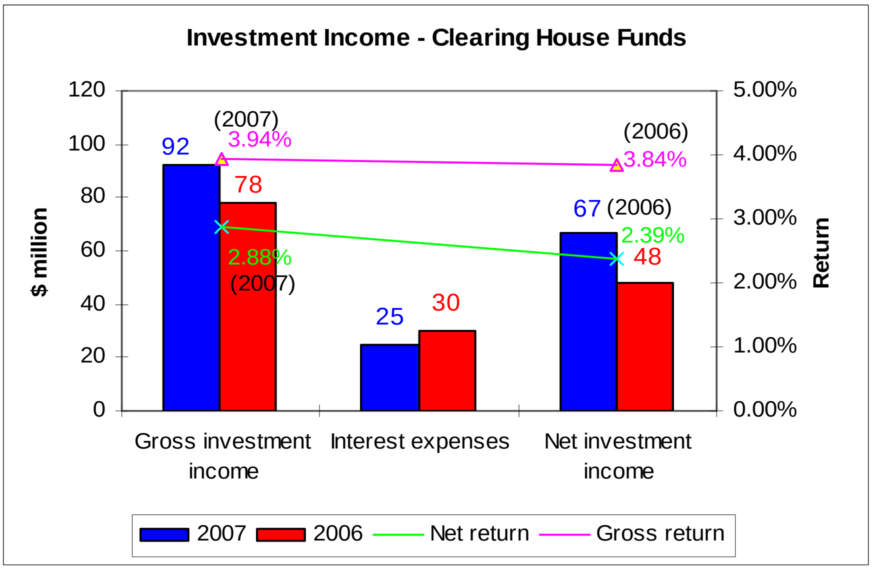


Investment income of Corporate Funds increased mainly due to the higher average fund size. This was, however, partly offset by the decrease in fair value gains of investments, reflecting market movement, which in turn led to a drop in the rate of return.



Investment income of Margin Funds more than doubled due to the significant increase in average fund size.

The increase in gross return on Margin Fund investments was attributable to a drop in the proportion of Margin Funds denominated in Japanese Yen. The increase in net return was higher than the rise in gross return as there was a drop in the interest rate (savings rate) payable to margin depositors in late 2006 and the fourth quarter of 2007.



Gross investment income of Clearing House Funds rose due to the higher average fund size and the increase in interest rate of overnight deposits. Interest expenses fell as a lower amount of Clearing House Fund contributions was eligible for interest in 2007.

The higher gross return was mainly due to increases in the interest rate for overnight deposits. The increase in net return was higher than the increase in gross return due to the lower proportion of Clearing House Fund contributions eligible for interest in 2007.

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

(E) Other income

	2007 $'000	2006 $'000	Change
Network, terminal user, dataline and software sub-license fees	**311,187**	180,372	73%
Participants' subscription and application fees	**34,043**	33,927	0%
Brokerage on direct IPO allotments	**97,730**	57,066	71%
Trading booth user fees	**9,624**	9,162	5%
Fair value gain of an investment property	**4,900**	1,600	206%
Accommodation income on securities deposited by Participants as alternatives to cash deposits of Margin Funds	**15,555**	3,164	392%
Sale of Trading Rights	**3,000**	-	N/A
Miscellaneous income	**17,970**	13,041	38%
Total	**494,009**	298,332	66%

Network, terminal user, dataline and software sub-license fees rose mainly due to an increase in sales of throttle.

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

Accommodation income increased mainly due to the increase in utilisation of non-cash collateral by Participants to meet their margin obligations.

Miscellaneous income increased as sundry income from Participants rose with market activity.

Operating Expenses

	2007 $'000	2006 $'000	Change
Staff costs and related expenses	**827,116**	654,806	26%
Information technology and computer maintenance expenses	**207,422**	218,608	(5%)
Premises expenses	**132,244**	119,167	11%
Product marketing and promotion expenses	**14,054**	11,270	25%
Legal and professional fees	**27,185**	7,996	240%
Depreciation	**79,144**	99,888	(21%)
Other operating expenses	**124,400**	98,838	26%
Total	**1,411,565**	1,210,573	17%

Staff costs and related expenses increased by $172 million, primarily due to an increase in performance bonus of $141 million (2007: $254 million; 2006: $113 million) on account of the improved performance of the Group in 2007 and the increase in salary costs and provident fund contributions as a result of the increase in headcount and salary adjustments.

Information technology and computer maintenance expenses of the Group, after excluding goods and services directly consumed by the Participants of $73 million (2006: $85 million), were $135 million (2006: $133 million). The decrease in costs directly consumed by Participants was mainly due to lower purchases of OG and AMS/3 terminals by the Participants than in 2006 as most Participants replaced their old terminals in 2006. Costs consumed by Participants were mostly recovered from the Participants and the income was included as part of network, terminal user, dataline and software sub-license fees under Other income.

Premises expenses rose due to increases in rental upon the renewal of certain leases.

Legal and professional fees rose due to one-off consultancy fees incurred for the feasibility study of trading commodities derivatives and emission-related products in Hong Kong.

Depreciation decreased as certain fixed assets became fully depreciated.

Other operating expenses increased, mainly attributable to higher bank charges due to increased eIPO activity, higher index license fees as a result of the rise in the number of derivative transactions and higher scrip fees paid to share registrars due to the increase in activity on the Cash Market.

Gain on Disposal of an Associate

	2007 $'000	2006 $'000	Change
Gain on disposal of an associate	**206,317**	-	N/A

In April 2007, the Group disposed of all of its 30 per cent interest in CHIS as the Board considered that the sale represented a good opportunity for the Group to realise the gain on the associate.

Share of Profits of Associates

	2007 $'000	2006 $'000	Change
Share of profits of associates	**5,587**	27,124	(79%)

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

Taxation

	2007 $'000	2006 $'000	Change
Taxation	**1,021,531**	444,898	130%

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

Liquidity, Financial Resources, Gearing and Capital Commitment

Working capital rose by $3,104 million or 72 per cent to $7,416 million as at 31 December 2007 (2006: $4,312 million). The increase was primarily due to the profit generated during the year of $6,169 million, the reclassification of $64 million of non-current assets as held for sale, and the proceeds from issuing shares upon the exercise of employee share options less shares purchased for the Employees' Share Award Scheme ("Share Award Scheme") of $61 million, which was partly offset by payment of the 2006 final dividend of $1,270 million and 2007 interim dividend of $1,912 million, and the decrease in other net current assets of $8 million.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes. As at 31 December 2007, the Group's total available banking facilities amounted to $3,058 million (2006: $1,558 million), of which $3,000 million (2006: $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 31 December 2007 and 31 December 2006, the Group had no bank borrowings, and therefore had zero gearing.

As at 31 December 2007, 99 per cent (2006: 97 per cent) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and time deposits within three months of maturity when acquired) were denominated in HKD or USD.

The Group's capital expenditure commitments as at 31 December 2007, mainly related to the development and purchases of computer systems, amounted to $165 million (2006: $92 million). The Group has adequate internal resources to fund its commitments on capital expenditures.

Charges on Assets

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

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 year.

Details of the disposal of an associate are set out in the Investment in an Associate section under the Business Review.

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

As at 31 December 2007, the aggregate net open foreign currency positions amounted to HK$4,727 million, of which HK$210 million were non-USD exposures (2006: HK$2,210 million, of which HK$213 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK$2,926 million (2006: HK$281 million). All forward foreign exchange contracts would mature within two months (2006: one month).

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

Contingent Liabilities

The Group has a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund ("Compensation Fund") established under the Securities Ordinance ("SO") up to an amount not exceeding $72 million. At 31 December 2007, no calls have been made by the SFC in this connection.

The Stock Exchange has undertaken to indemnify the Collector of Stamp Revenue against any loss of revenue resulting from any underpayment or default or delay in payment of stamp duty by its Participants, up to $200,000 in respect of the default of any one Participant. In the unlikely event that all of its 439 trading Participants as at 31 December 2007 (2006: 425) defaulted, the maximum contingent liability of the Stock Exchange under the indemnity would amount to $87,800,000 (2006: $85,000,000). The carrying amount of the financial guarantee contract recognised in the consolidated statement of financial position in accordance with HKAS 39 and HKFRS 4 (Amendments) was $19,909,000 (2006: $19,909,000).

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**2007 $'000**	2006 $'000
INCOME	2		
Trading fees and trading tariff		**3,086,250**	1,340,355
Stock Exchange listing fees		**688,538**	465,445
Clearing and settlement fees		**1,577,433**	674,373
Depository, custody and nominee services fees		**627,103**	376,118
Income from sale of information		**678,909**	391,213
Net investment income	4	**1,238,228**	601,080
Other income	5	**494,009**	298,332
	3	**8,390,470**	4,146,916
OPERATING EXPENSES			
Staff costs and related expenses		**827,116**	654,806
Information technology and computer maintenance expenses		**207,422**	218,608
Premises expenses		**132,244**	119,167
Product marketing and promotion expenses		**14,054**	11,270
Legal and professional fees		**27,185**	7,996
Depreciation		**79,144**	99,888
Other operating expenses	6	**124,400**	98,838
	3	**1,411,565**	1,210,573
OPERATING PROFIT	3	**6,978,905**	2,936,343
GAIN ON DISPOSAL OF AN ASSOCIATE	3/7	**206,317**	-
SHARE OF PROFITS OF ASSOCIATES	3	**5,587**	27,124
PROFIT BEFORE TAXATION	3	**7,190,809**	2,963,467
TAXATION	8	**(1,021,531)**	(444,898)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**6,169,278**	2,518,569
Earnings per share			
Basic	10	**$5.78**	$2.37
Diluted	10	**$5.72**	$2.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 $'000	2006 $'000
Profit attributable to shareholders	**6,169,278**	2,518,569
Other comprehensive income:		
Available-for-sale financial assets:		
Change in fair value	**63,421**	31,356
Realisation of change in fair value on maturity and disposal	**(9,951)**	17,941
Deferred tax arising from change in fair value	**(8,460)**	(2,094)
	45,010	47,203
Cash flow hedges:		
Fair value gains of hedging instruments	**132**	475
Less: Reclassification adjustments:		
Gains reclassified to profit or loss as information technology and computer maintenance expenses	**(70)**	(475)
Gains reclassified to profit or loss as net investment income	**(62)**	-
	-	-
Leasehold buildings:		
Change in valuation	**(44)**	502
Deferred tax arising from change in valuation	**7**	(87)
Deferred tax arising from reclassification of a leasehold building to "Non-current assets held for sale"	**552**	-
	515	415
Share of other comprehensive income of an associate	**-**	37
Less: reclassified to profit or loss on disposal of associate	**(58)**	-
	(58)	37
Other comprehensive income attributable to shareholders, net of tax	**45,467**	47,655
Total comprehensive income attributable to shareholders	**6,214,745**	2,566,224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 31 Dec 2007 $'000**	At 31 Dec 2006 $'000
NON-CURRENT ASSETS			
Fixed assets		**317,065**	210,161
Investment property		**-**	19,300
Lease premiums for land		**60,708**	93,575
Investment in an associate		**-**	68,377
Clearing House Funds		**2,192,204**	2,270,531
Available-for-sale financial assets		**25,270**	-
Time deposit with maturity over one year		**-**	38,886
Deferred tax assets		**3,610**	3,330
Other financial assets		**19,177**	18,583
Other assets		**3,212**	3,212
		2,621,246	2,725,955
CURRENT ASSETS			
Accounts receivable, prepayments and deposits	11	**18,364,129**	10,201,562
Lease premiums for land		**509**	548
Tax recoverable		**148**	-
Margin Funds on derivatives contracts		**55,428,888**	21,666,474
Financial assets at fair value through profit or loss		**2,996,555**	2,878,224
Available-for-sale financial assets		**3,041,737**	582,122
Time deposits with original maturities over three months		**682,174**	185,611
Cash and cash equivalents		**4,744,711**	2,223,910
		85,258,851	37,738,451
Non-current assets held for sale	12	**64,092**	-
		85,322,943	37,738,451
CURRENT LIABILITIES			
Margin deposits from Clearing Participants on derivatives contracts		**55,428,888**	21,666,474
Accounts payable, accruals and other liabilities	13	**21,375,909**	11,118,308
Financial liabilities at fair value through profit or loss		**6,149**	7,505
Participants' admission fees received		**3,050**	1,700
Deferred revenue		**375,174**	318,468
Taxation payable		**687,726**	287,368
Provisions		**29,630**	26,712
		77,906,526	33,426,535
NET CURRENT ASSETS		**7,416,417**	4,311,916
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,037,663**	7,037,871

	Note	At 31 Dec 2007 $'000	At 31 Dec 2006 $'000
NON-CURRENT LIABILITIES			
Participants' admission fees received		**82,550**	79,750
Participants' contributions to Clearing House Funds		**1,496,855**	1,642,495
Deferred tax liabilities		**36,873**	14,003
Financial guarantee contract		**19,909**	19,909
Provisions		**24,128**	24,128
		1,660,315	1,780,285
NET ASSETS		**8,377,348**	5,257,586
CAPITAL AND RESERVES			
Share capital		**1,070,285**	1,065,448
Share premium		**266,170**	185,942
Shares held for Share Award Scheme		**(47,803)**	(51,297)
Employee share-based compensation reserve		**49,669**	52,119
Revaluation reserves		**56,036**	10,569
Designated reserves		**694,853**	627,816
Retained earnings	14	**6,288,138**	3,366,989
SHAREHOLDERS' FUNDS		**8,377,348**	5,257,586
SHAREHOLDERS' FUNDS PER SHARE		**$7.83**	$4.94

NOTES TO THE CONSOLIDATED ACCOUNTS

1. Basis of preparation and accounting policies

These consolidated accounts have been prepared in accordance with HKFRSs, issued by HKICPA, which have been aligned with the requirements of International Financial Reporting Standards in all material respects as at 31 December 2007.

In the fourth quarter of 2007, the Group early adopted all new/revised HKFRSs issued up to 31 December 2007 which were pertinent to its operations where early adoption was permitted. The applicable HKFRSs are set out below:

HKAS 1 Revised	Presentation of Financial Statements
HKAS 23 Revised	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2- Group and Treasury Share Transactions

The early adoption of these HKFRSs does not have any financial impact to the Group's accounting policies.

HKAS 1 Revised affects certain disclosures of the financial statements. Under the revised standard, the Profit and Loss Account is renamed as the "Income Statement", the Balance Sheet is renamed as the "Statement of Financial Position" and the Cash Flow Statement is renamed as the "Statement of Cash Flows". Furthermore, all income and expenses arising from transactions with non-owners (ie, the non-owner movements of equity) are presented under the "Income Statement" and "Statement of Comprehensive Income", and the total carried to the "Statement of Changes in Equity", while the owner changes in equity are presented in the "Statement of Changes in Equity".

HKAS 23 Revised removes the option to expense borrowing costs and requires the reporting entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (ie, an asset that necessarily takes a substantial period of time to get ready for its intended use or sale). The revisions to HKAS 23 did not have any financial impact to the Group in 2007 or prior years because the Group did not incur any borrowing costs on qualifying assets.

HKFRS 8 supersedes HKAS 14: Segment Reporting, and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to chief operating decision-makers as required by HKFRS 8, there are no changes to the operating segments and the results of operating segments on the adoption of HKFRS 8.

HK(IFRIC)-Int 11 (the "interpretation") requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. The adoption of HK(IFRIC)-Int 11 does not have any financial impact to the Group as the Group's accounting policies already comply with the interpretation.

All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards, which require retrospective application to prior year comparatives.

Reclassification of Compensation Fund Reserve Account ("CFRA")

In previous years, certain assets of the Group had been earmarked for meeting potential calls for replenishment of the Compensation Fund by the SFC and shown separately under the caption "Compensation Fund Reserve Account" in the consolidated statement of financial position. As the amounts involved are not material, these assets have now been classified to their relevant categories on the consolidated statement of financial position.

2. Turnover

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

3. 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 four reportable segments. The segments are managed separately as each business offers different products and services and requires different information technology 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, debt securities, unit trusts, CBBCs, warrants and rights. Currently, the Group operates two Cash Market platforms, the Main Board and 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, and interest rate and Exchange Fund Note futures. 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 three Clearing Houses, namely HKSCC, SEOCH and HKCC, which are responsible for clearing, settlement and custodian activities of the Cash and Derivatives Markets operated by the Group. Its income is derived primarily from net investment income earned on the Clearing House Funds and fees from providing clearing, settlement, depository, custody and nominee services.

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

An analysis of the Group's reportable segment profit before tax, assets, liabilities, and other selected financial information for the year by operating segment is as follows:

	2007				
	Cash Market $'000	**Derivatives Market $'000**	**Clearing Business $'000**	**Information Services $'000**	**Group $'000**
Income from external customers	**3,569,780**	**582,606**	**2,314,184**	**680,772**	**7,147,342**
Net investment income	**152,340**	**858,412**	**226,712**	**764**	**1,238,228**
Fair value gain of an investment property	**4,900**	**-**	**-**	**-**	**4,900**
Total income	**3,727,020**	**1,441,018**	**2,540,896**	**681,536**	**8,390,470**
Operating expenses					
Direct costs	**507,739**	**143,123**	**357,646**	**50,625**	**1,059,133**
Indirect costs	**164,080**	**52,904**	**112,937**	**22,511**	**352,432**
	671,819	**196,027**	**470,583**	**73,136**	**1,411,565**
Operating profit	**3,055,201**	**1,244,991**	**2,070,313**	**608,400**	**6,978,905**
Gain on disposal of an associate	**-**	**-**	**206,317**	**-**	**206,317**
Share of profit of an associate	**-**	**-**	**5,587**	**-**	**5,587**
Reportable segment profit before tax	**3,055,201**	**1,244,991**	**2,282,217**	**608,400**	**7,190,809**
Interest income	**69,363**	**1,490,554**	**164,450**	**348**	**1,724,715**
Interest expenses:					
- included under net investment income	**(4,760)**	**(677,345)**	**(29,598)**	**(24)**	**(711,727)**
- others	**(224)**	**(72)**	**(164)**	**(31)**	**(491)**
Depreciation and amortisation	**(25,961)**	**(8,376)**	**(43,231)**	**(2,114)**	**(79,682)**
Other material non-cash items:					
Employee share-based compensation expenses	**(12,838)**	**(2,924)**	**(7,172)**	**(1,428)**	**(24,362)**
Reversal of provision for/(provision for) impairment losses	**52**	**(19)**	**(31)**	**(5)**	**(3)**

	At 31 Dec 2007				
	Cash Market $'000	**Derivatives Market $'000**	**Clearing Business $'000**	**Information Services $'000**	**Group $'000**
Reportable segment assets (excluding non-current assets held for sale)	**4,664,621**	**56,877,568**	**26,219,215**	**114,935**	**87,876,339**
Non-current assets held for sale	**29,880**	**9,588**	**20,567**	**4,057**	**64,092**
Reportable segment assets	**4,694,501**	**56,887,156**	**26,239,782**	**118,992**	**87,940,431**
Reportable segment liabilities	**1,249,741**	**55,470,549**	**22,012,451**	**51,595**	**78,784,336**
Additions to fixed assets (ie, non-current assets excluding financial instruments and deferred tax assets)	**98,874**	**2,587**	**88,650**	**3,579**	**193,690**

	2006				
	Cash Market $'000	Derivatives Market $'000	Clearing Business $'000	Information Services $'000	Group $'000
Income from external customers	1,694,040	350,561	1,106,709	392,926	3,544,236
Net investment income	126,371	310,744	163,131	834	601,080
Fair value gain of an investment property	1,600	-	-	-	1,600
Total income	1,822,011	661,305	1,269,840	393,760	4,146,916
Operating expenses					
Direct costs	441,233	118,456	328,529	41,860	930,078
Indirect costs	129,091	39,745	92,250	19,409	280,495
	570,324	158,201	420,779	61,269	1,210,573
Operating profit	1,251,687	503,104	849,061	332,491	2,936,343
Share of profits of associates	1	-	27,123	-	27,124
Reportable segment profit before tax	1,251,688	503,104	876,184	332,491	2,963,467
Interest income	30,956	670,993	106,297	204	808,450
Interest expenses:					
- included under net investment income	(1,855)	(409,496)	(31,307)	(12)	(442,670)
- others	(2)	(1)	(3)	-	(6)
Depreciation and amortisation	(25,538)	(9,633)	(61,112)	(4,152)	(100,435)
Other material non-cash items:					
Employee share-based compensation expenses	(12,640)	(3,077)	(7,276)	(1,040)	(24,033)
(Provision for)/reversal of provision for impairment losses	(146)	51	138	29	72

	At 31 Dec 2006				
	Cash Market $'000	Derivatives Market $'000	Clearing Business $'000	Information Services $'000	Group $'000
Reportable segment assets (excluding investment in an associate)	2,814,334	22,782,430	14,715,139	80,796	40,392,699
Investment in an associate	-	-	68,377	-	68,377
Reportable segment assets	2,814,334	22,782,430	14,783,516	80,796	40,461,076
Reportable segment liabilities	842,675	21,698,925	12,286,695	35,808	34,864,103
Additions to fixed assets (ie, non-current assets excluding financial instruments and deferred tax assets)	31,719	3,050	15,717	1,775	52,261

(a) The accounting policies of the reportable segments are the same as the Group's accounting policies. Central income (mainly net investment income of the Corporate Funds) and central costs (mainly costs of support functions that centrally provide services to all of the operating segments) are allocated to the operating segments as they are included in the measure of the segments' profit that is used by the chief operating decision-makers for the purposes of resource allocation and assessment of segment performance. Performance is measured based on segment profit before tax. Taxation charge/(credit) is not allocated to reportable segments.

There were no inter-segment sales in the year (2006: $Nil).

(b) Reconciliation of reportable segment assets and segment liabilities

The assets and liabilities of the Group are allocated based on the operations of the segments. Central assets and liabilities are generally allocated to the segments. However, deferred tax assets, tax recoverable, taxation payable, deferred tax liabilities and unclaimed dividends declared by HKEx are not allocated to the segments.

Reportable segment assets and segment liabilities are reconciled to total assets and total liabilities of the Group as follows:

	At 31 Dec 2007 $'000	At 31 Dec 2006 $'000
Reportable segment assets	**87,940,431**	40,461,076
Unallocated assets:		
Tax recoverable	**148**	-
Deferred tax assets	**3,610**	3,330
Total assets per consolidated statement of financial position	**87,944,189**	40,464,406

	At 31 Dec 2007 $'000	At 31 Dec 2006 $'000
Reportable segment liabilities	**78,784,336**	34,864,103
Unallocated liabilities:		
Taxation payable	**687,726**	287,368
Deferred tax liabilities	**36,873**	14,003
Unclaimed dividends declared by HKEx	**57,906**	41,346
Total liabilities per consolidated statement of financial position	**79,566,841**	35,206,820

4. Net investment income

	2007 $'000	2006 $'000
Interest income		
- bank deposits	**1,030,736**	516,468
- listed available-for-sale financial assets	**23,092**	24,755
- unlisted available-for-sale financial assets	**670,887**	267,227
	1,724,715	808,450
Interest expenses	**(711,727)**	(442,670)
Net interest income	**1,012,988**	365,780
Net realised and unrealised gains and interest income on financial assets and financial liabilities at fair value through profit or loss, held for trading		
- listed securities	**138,744**	163,640
- unlisted securities	**57,670**	49,521
- exchange differences	**12,314**	15,824
	208,728	228,985
Dividend income		
- listed financial assets at fair value through profit or loss	**6,091**	6,115
Other exchange differences on loans and receivables	**10,421**	200
Net investment income	**1,238,228**	601,080
Net investment income was derived from:		
Corporate Funds	**373,304**	305,729
Margin Funds	**797,714**	246,732
Clearing House Funds	**67,210**	48,619
	1,238,228	601,080

5. Other income

	2007 $'000	2006 $'000
Network, terminal user, dataline and software sub-license fees	**311,187**	180,372
Participants' subscription and application fees	**34,043**	33,927
Brokerage on direct IPO allotments	**97,730**	57,066
Trading booth user fees	**9,624**	9,162
Fair value gain of an investment property	**4,900**	1,600
Accommodation income on securities deposited by Participants as alternatives to cash deposits of Margin Funds	**15,555**	3,164
Sale of Trading Rights	**3,000**	-
Miscellaneous income	**17,970**	13,041
	494,009	298,332

6. Other operating expenses

	2007 **$'000**	2006 $'000
(Reversal of provision for)/provision for impairment losses of trade receivables	**(71)**	350
Provision for/(reversal of provision for) impairment losses of leasehold buildings – revaluation deficit/(gain)	**74**	(422)
Insurance	**4,482**	15,338
Financial data subscription fees	**4,095**	4,274
Custodian and fund management fees	**10,042**	8,420
Bank charges	**22,919**	11,476
Repair and maintenance expenses	**8,615**	7,821
License fees	**13,445**	8,857
Communication expenses	**5,266**	4,878
Overseas travel expenses	**4,812**	3,588
Contribution to Financial Reporting Council	**7,153**	347
Other miscellaneous expenses	**43,568**	33,911
	124,400	98,838

7. Gain on disposal of an associate

On 29 March 2007, the Group entered into an agreement to sell all of its 7,317 fully paid Class A ordinary shares (equivalent to 30 per cent of the issued share capital) of CHIS for a consideration of $270,320,000 as the Board considered that the sale represented a good opportunity for the Group to realise a gain on the investment. The transaction was completed on 3 April 2007 and the Group ceased to have significant influence over CHIS on the same date. The accounting profit on disposal of the investment, after deducting stamp duty of $270,000, amounted to $206,317,000.

8. Taxation

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

	2007 **$'000**	2006 $'000
Provision for Hong Kong Profits Tax for the year (note a)	**1,009,076**	454,121
Over provision in respect of prior years	**(2,234)**	(5)
	1,006,842	454,116
Deferred taxation	**14,689**	(9,218)
	1,021,531	444,898

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

9. Dividends

	2007 **$'000**	2006 $'000
Interim dividend paid:		
$1.79 (2006: $0.94) per share	**1,914,499**	1,001,219
Less: Dividend for shares held by HKEx Employee Share Trust	**(2,306)**	(912)
	1,912,193	1,000,307
Final dividend proposed/declared (notes a and b):		
$3.40 (2006: $1.19) per share		
based on issued share capital as at the year end	**3,638,970**	1,267,884
Less: Dividend for shares held by HKEx		
Employee Share Trust as at the year end	**(3,592)**	(1,497)
	3,635,378	1,266,387
	5,547,571	2,266,694

(a) Actual 2006 final dividend paid was $1,270,266,000 of which $3,879,000 was paid for shares issued for employee share options exercised after 31 December 2006.

(b) The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

10. Earnings per share

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

(a) Basic earnings per share

	2007	2006
Profit attributable to shareholders ($'000)	**6,169,278**	2,518,569
Weighted average number of shares in issue less shares held for Share Award Scheme	**1,067,236,673**	1,063,493,204
Basic earnings per share	**$5.78**	$2.37

(b) Diluted earnings per share

	2007	2006
Profit attributable to shareholders ($'000)	**6,169,278**	2,518,569
Weighted average number of shares in issue less shares held for Share Award Scheme	**1,067,236,673**	1,063,493,204
Effect of employee share options	**10,126,864**	11,592,735
Effect of Awarded Shares	**1,227,308**	956,325
Weighted average number of shares for the purpose of calculating diluted earnings per share	**1,078,590,845**	1,076,042,264
Diluted earnings per share	**$5.72**	$2.34

11. Accounts receivable, prepayments and deposits

The Group's accounts receivable, prepayments and deposits amounted to $18,364,129,000 (2006: $10,201,562,000). These mainly represented the Group's CNS money obligations receivable under the T+2 settlement cycle, which accounted for 94 per cent (2006: 94 per cent) of the total accounts receivable, prepayments and deposits. CNS money obligations receivable mature within two days after the trade date. Fees receivable are due immediately or up to 30 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits would mature within three months.

12. Non-current assets held for sale

	At 31 Dec 2007 $'000	At 31 Dec 2006 $'000
Leasehold building	**7,524**	-
Investment property	**24,200**	-
Lease premium for land of leasehold property	**32,368**	-
	64,092	-
Reserves associated with assets held for sale recognised in other comprehensive income (leasehold buildings revaluation reserve)	**3,155**	-

On 19 September 2007, the Board approved the disposal of one of the leasehold properties and the investment property held by the Group as the Board resolved to restructure the Group's property portfolio. No impairment losses were recognised on the reclassification of the properties as held for sale.

Subsequent to 31 December 2007, the Group has entered into agreements with two third parties to sell the leasehold property and the investment property for a consideration of $103,380,000 and $30,400,000 respectively. The sale transactions were completed on 18 February 2008. The accounting profit on the disposal of properties, after deducting related selling expenses of $1,047,000, amounted to $68,641,000 and was recognised in the consolidated income statement in February 2008.

13. Accounts payable, accruals and other liabilities

The Group's accounts payable, accruals and other liabilities amounted to $21,375,909,000 (2006: $11,118,308,000). These mainly represented the Group's CNS money obligations payable under the T+2 settlement cycle, which accounted for 81 per cent (2006: 86 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

14. Retained earnings (including proposed/declared dividends)

	2007 $'000	2006 $'000
At 1 Jan, as previously reported	**3,326,543**	2,455,804
Effect of reclassification of CFRA	**40,446**	38,420
At 1 Jan, as restated	**3,366,989**	2,494,224
Profit attributable to shareholders (note a)	**6,169,278**	2,518,569
Surplus of net investment income net of expenses of Clearing House Funds transferred to Clearing House Funds reserves	**(67,037)**	(37,840)
Transfer from Development reserve	**-**	72,245
	(67,037)	34,405
Dividends:		
2006/2005 final dividend	**(1,266,387)**	(679,549)
Dividend on shares issued for employee share options exercised after 31 Dec 2006/31 Dec 2005	**(3,879)**	(1,039)
	(1,270,266)	(680,588)
2007/2006 interim dividend	**(1,911,131)**	(1,000,050)
Dividend on shares issued for employee share options exercised after 30 Jun 2007/30 Jun 2006	**(1,062)**	(257)
	(1,912,193)	(1,000,307)
Unclaimed dividend forfeited	**2,454**	686
Vesting of shares of Share Award Scheme	**(1,087)**	-
At 31 Dec	**6,288,138**	3,366,989
Representing:		
Retained earnings	**2,652,760**	2,100,602
Proposed/declared dividends	**3,635,378**	1,266,387
At 31 Dec	**6,288,138**	3,366,989

(a) The Group's profit attributable to shareholders included the net investment income net of expenses of the Clearing House Funds for an aggregate amount of $67,037,000 (2006: $37,840,000).

PROSPECTS

National Policies and International Opportunities

During the year, the Central Government announced a number of policies to further liberalise the Mainland financial market. With the closer integration of the Mainland and Hong Kong economies, these policies had a considerable impact on the local investing climate, presenting new opportunities for growth and fuelling trading activity.

One such move was in May 2007 when the QDII programme, which was first launched in September 2006 to allow domestic banks, fund houses, securities institutions and insurance companies to invest in fixed-income securities abroad, was relaxed to allow investment in a wider range of financial products including foreign equities.

Another was the Pilot Programme for Direct Foreign Portfolio Investments by Domestic Individuals announced by the State Administration of Foreign Exchange in August 2007, which proposes to allow Mainland Chinese nationals to buy equities in Hong Kong. As the programme would have profound implication on both the Mainland and Hong Kong financial markets, thorough and detailed studies are being undertaken by the Mainland before its possible implementation.

Beyond Hong Kong and the Mainland, we see tremendous opportunities all over the world. As HKEx wants to extend our reach, in particular to countries in the region, intensive marketing is being undertaken to attract investors to and the listings of more overseas companies in Hong Kong. In addition, HKEx frequently joins other high-level delegations promoting Hong Kong overseas.

Local and Global Outlook

Hong Kong recorded brisk economic growth in 2007 with the Gross Domestic Product grew by 6.3 per cent, higher than the trend growth for the past 10 years, and the latest unemployment rate fell to 3.4 per cent, the lowest since the first quarter of 1998. Amid this backdrop, with rising asset prices and improved household financial positions, consumption spending and investment have been robust. Meanwhile, in the Mainland, the growth momentum remained intact in 2007, despite banks being required to increase reserve ratios on 10 occasions and six hikes in interest rates.

However, Hong Kong’s financial markets are not free from challenges. The US sub-prime loan crisis evolving since mid-2007 has brought uncertainties to the global financial markets, particularly the concern over a possible economic recession in the US. Closer to home, the Mainland stock markets, measured by the Shanghai Composite Index which reached a closing high of 6092 on 16 October 2007, a gain of over 450 per cent in less than two years, have since fallen over 29 per cent, a movement which has affected Hong Kong. These concerns are still unfolding and it is difficult to assess the extent of its impact on Hong Kong’s markets.

Thus, while the economic fundamentals in Hong Kong and the Mainland have been strong, investors should be vigilant about adverse factors which could hamper growth, such as rising inflationary pressures under a negative interest environment, tightening measures in the Mainland to forestall its overheating economy, and the possible adjustments in the global investment environment.

To be able to withstand changes and achieve long-term growth, HKEx will continue to seek improvements to the quality and foundation of Hong Kong’s financial markets as we pursue our Strategic Plan 2007-2009, and to position ourselves to effectively and efficiently capture potential opportunities.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of $3.40 (2006: $1.19) per share to the shareholders whose names appear on HKEx's Register of Members ("ROM") ("Shareholders") on 24 April 2008, and the retention of the remaining profit for the year. Together with the interim dividend of $1.79 per share, this will bring the total dividend distribution for the year to $5.19 per share (2006:$2.13).

The proposed final dividend together with the interim dividend payment amounts to a total of about $5,553 million (including dividend of about $5,898,000 for shares held in trust under the Share Award Scheme) (2006: $2,273 million, including dividend of about $2,409,000 for shares held in trust under the Share Award Scheme).

CLOSURE OF ROM

HKEx's ROM will be closed from Monday, 21 April 2008 to Thursday, 24 April 2008, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with HKEx's registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Friday, 18 April 2008. Subject to the Shareholders' approval of the proposed final dividend at the annual general meeting to be held on Thursday, 24 April 2008 ("AGM"), dividend warrants will be despatched on or about Friday, 9 May 2008 to the Shareholders on HKEx's ROM on 24 April 2008.

AGM

The AGM will be held at the Exchange Auditorium in the Exchange Exhibition Hall of the Stock Exchange on 1st Floor, One and Two Exchange Square, Central, Hong Kong on Thursday, 24 April 2008 at 4:30 pm. The Notice of AGM will be published on the HKExnews website at www.hkexnews.hk and HKEx's corporate website, and despatched to Shareholders on or about Wednesday, 26 March 2008.

APPOINTMENT AND ELECTION OF DIRECTORS of HKEx ("DIRECTORS")

The Board currently consists of 13 Directors, including six Directors appointed by the Financial Secretary of the Government of Hong Kong Special Administrative Region ("Government Appointed Directors"), six Directors elected by Shareholders ("Elected Directors") and one *ex-officio* Director.

The terms of office of three Government Appointed Directors, namely Mr Ronald J Arculli, Mrs Laura M Cha and Dr Moses M C Cheng, will expire at the conclusion of the AGM. The Financial Secretary has not yet informed HKEx of the persons whom he intends to appoint or re-appoint as Directors upon the retirement of the aforesaid three Directors. An announcement will be made once HKEx receives the notices of appointment from the Financial Secretary.

Additionally, the terms of office of two Elected Directors, namely Dr Bill C P Kwok and Mr Vincent K H Lee, will expire at the conclusion of the AGM. Pursuant to Article 93(5) of the Articles of Association of HKEx ("Articles of Association"), both of them are eligible for re-appointment. The Nomination Committee has nominated, and the Board has recommended the aforesaid two Elected Directors to stand for re-election as Directors at the AGM.

Shareholders are invited to elect up to two Directors at the AGM to fill the vacancies available due to the retirement of the said two Elected Directors. According to Article 90(1A) of the Articles of

Association, the two Directors to be elected at the AGM will be appointed for a term of not more than approximately three years expiring at the conclusion of HKEx's annual general meeting to be held in 2011.

A circular containing, inter alia, the Notice of AGM and further information concerning nomination and election of Directors will be sent to Shareholders on or about 26 March 2008.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2007, including the accounting principles and practices adopted by the Group, in conjunction with HKEx's external auditor and internal auditors.

EMPLOYEES

Quality and dedicated staff are valuable assets contributing to the Group's success. HKEx's remuneration policy is built upon the principle of providing an equitable, performance-oriented, motivating and market-competitive remuneration package for employees at all levels. A six-level performance rating scale was introduced in 2007 subsequent to a review of the Group's performance evaluation system. The new scale serves to differentiate staff performance in a more refined manner, identifying the top 20 per cent of good performers for succession planning. The remuneration structure was also fine tuned to align HKEx's remuneration packages with market levels, and to reinforce the link between performance and rewards.

HKEx observes the Code of Practice on Equal Opportunity as recommended by the Equal Opportunities Commission in Hong Kong. In 2007, HKEx continued to maintain a stable workforce with turnover rate of 10 per cent (2006: 10 per cent). As at the end of December 2007, there were 805 permanent employees (2006: 793) and 32 temporary staff (2006: 35).

In 2007, HKEx spent $4 million on staff training and organised 108 training classes with more than 2,900 participants, with an average 24 hours of training per employee. HKEx also provided academic sponsorship to 22 employees at different levels. During the year, HKEx introduced electronic learning, providing a wide variety of courses covering managerial, language and technical skills, to enable its employees to assess their own training needs and choose appropriate courses.

CORPORATE GOVERNANCE

HKEx fully complied with all the provisions set out in the CG Code contained in Appendix 14 to the Main Board Listing Rules, and where appropriate, adopted the recommended best practices throughout 2007 save that the Government Appointed Directors, and the Chief Executive in his capacity as a Director, are not subject to election or re-election by Shareholders, and their appointments are governed by Section 77 of the SFO and the Articles of Association respectively.

HKEx was named as one of the best companies in Hong Kong in terms of corporate governance in the Corporate Governance Rankings 2007 by The Asset Magazine. As published in the CG Watch 2007 - Corporate Governance in Asia by CLSA Asia-Pacific Markets and Asian Corporate Governance Association, HKEx was ranked third in terms of corporate governance among the over 100 large-cap companies assessed (in 11 Asian markets including Japan). In addition, HKEx received the 2007 HKMA Best Annual Reports Awards: 2006 Annual Report - Gold Award and Winner in the Citation for Achievement in Corporate Governance Disclosure (General Category) from The Hong Kong Management Association and the Best Corporate Governance Disclosure Awards 2007: 2006 Annual Report - Gold Award (Hang Seng Index Category) from HKICPA. Moreover, GovernanceMetrics International Inc continued to assign high corporate governance ratings to HKEx.

As of February 2008, the Global Rating and Home Market Rating were respectively 8.0 (2006: 7.5) and 10.0 (2006: 10.0) out of the full score of 10.0.

PURCHASE, SALE OR REDEMPTION OF HKEx'S LISTED SECURITIES

During the year ended 31 December 2007, HKEx had not redeemed, and neither had HKEx nor any of its subsidiaries purchased or sold, any of HKEx's listed securities, except that the trustee of the Share Award Scheme had, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 12,500 HKEx shares being the awarded shares, and a further 30,000 shares with the dividends received during the year in respect of the shares held under the trust. The total amount paid to acquire these 42,500 shares during the year was about $4,879,000.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on HKEx's corporate website at http://www.hkex.com.hk/relation/results/2007_final_e.pdf and the HKExnews at www.hkexnews.hk. The 2007 Annual Report will be despatched to Shareholders on or about Wednesday, 26 March 2008 and will be available at HKEx's corporate website at the same time.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises 12 Independent Non-executive Directors, namely Mr ARCULLI, Ronald Joseph (Chairman), Mrs CHA May-Lung, Laura, Dr CHENG Mo Chi, Moses, Dr CHEUNG Kin Tung, Marvin, Mr FAN Hung Ling, Henry, Mr FONG Hup, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Dr LOH Kung Wai, Christine, Mr STRICKLAND, John Estmond, Mr WEBB, David Michael and 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
Ronald Joseph Arculli
Chairman

Hong Kong, 5 March 2008