



Interim Report 2006



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Quality Market

China is in a period of robust growth, attracting the interest of those far and near. Every grain of sand can represent an opportunity. To capitalise on these opportunities, HKEx is committed to cultivating and nurturing markets of quality. We believe with quality will emerge a new age of prosperity.

Financial Highlights

(Financial figures are expressed in Hong Kong Dollar)

	Six months ended 30 Jun 2006	Six months ended 30 Jun 2005	Change
KEY MARKET STATISTICS			
Average daily turnover value on the Stock Exchange	\$32.6 billion	\$16.9 billion	93%
Average daily number of derivatives contracts traded on the Futures Exchange	97,471	62,681	56%
Average daily number of stock options contracts traded on the Stock Exchange	63,411	25,206	152%
	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000	
RESULTS			
Income	1,895,248	1,238,465	53%
Operating expenses	596,488	570,518	5%
Operating profit	1,298,760	667,947	94%
Share of profits less losses of associates	9,252	8,635	7%
Profit before taxation	1,308,012	676,582	93%
Taxation	(199,701)	(105,786)	89%
Profit attributable to shareholders	1,108,311	570,796	94%
Basic earnings per share	\$1.04	\$0.54	93%
Diluted earnings per share	\$1.03	\$0.54	91%
Interim dividend declared per share	\$0.94	\$0.49	92%
Dividend payout ratio	90%	91%	N/A
	Unaudited at 30 Jun 2006 \$'000	As restated Audited at 31 Dec 2005 \$'000	
KEY BALANCE SHEET ITEMS			
Shareholders' funds	4,820,831	4,337,471 ^o	11%
Total assets *	30,119,617	22,930,916 ^o	31%
Net assets per share #	\$4.53	\$4.09 ^o	11%

^o Audited and restated (shareholders' funds down by \$30 million, total assets down by \$30 million and net assets per share down by \$0.02) due to the adoption of a revised Hong Kong Financial Reporting Standard

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

Based on 1,063,883,346 shares as at 30 June 2006, being 1,064,853,346 shares issued and fully paid less 970,000 shares held for the Share Award Scheme (31 December 2005: 1,061,796,846 shares, being 1,062,754,846 shares issued and fully paid less 958,000 shares held for the Share Award Scheme)

Chronology of Events

16 January

Opened the renovated Trading Hall.



20 January

Published the Discussion Paper on the GEM and invited market views on the possible further development of the GEM.

10 February

Adjusted the position limits and reporting levels for the stock options contracts traded in the Derivatives Market.

15 February

Following the successful implementation of the Phase 1 reduction of minimum securities trading spreads since July 2005, the Board approved the Phase 2 reduction of minimum securities trading spreads, an initiative aimed at further improving market efficiency.

25 February-2 March

Participated in a roadshow organised by the Hong Kong Trade Development Council to promote the strengths of Hong Kong's Cash and Derivatives Markets to potential investors in Dubai and Saudi Arabia.



20 March

Admitted the National Council for Social Security Fund of the People's Republic of China as a Corporate IP in the CCASS.

23 March

Participated in the Pan-Pearl River Delta Financial Services Forum in Hong Kong organised by the Government.



27 March

Invited issuers to list CBBCs starting from June.

28 March

The Listing Nominating Committee invited applications from individuals interested in serving on the Listing Committees.

31 March

Introduced long-dated H-share Index Options and additional long-dated Hang Seng Index Options.

12 April

Established the Panel Member Nomination Committee (“PMNC”) for the purpose of identifying and selecting candidates for the Cash Market Consultative Panel, Derivatives Market Consultative Panel and Clearing Consultative Panel (collectively the “Consultative Panels”) for the Board’s consideration and approval.

18 April

The PMNC invited EPs to make nominations of candidates to the Consultative Panels.

26 April

Grand opening of the Exchange Trading and Exhibition Hall Complex which was officiated by the Honourable Donald Tsang, the Chief Executive of Hong Kong. Held the 2006 AGM at which Dr Loh Kung Wai, Christine and Mr David Michael Webb were elected and re-elected respectively. The Financial Secretary appointed Mr Ronald Joseph Arculli, Mrs Cha May-Lung, Laura and Mr Cheng Mo Chi, Moses as Government Appointed Directors.

**28 April**

The Chief Executive of Hong Kong approved the Board’s appointment of Mr Ronald Joseph Arculli as Chairman of the Board.

3 May

The market capitalisation of the Main Board and the GEM exceeded \$10,000 billion for the first time.



15 May

Introduced the web-based DWRC.

19 May

Appointed Mr Tong Ka Shing, Carlson as Chairman and Mr William Gage McAfee as Deputy Chairman of the newly expanded Listing Committees.

29 May

Increased the maximum number of outstanding orders per price queue from 4,000 to 8,000 in the AMS/3.

1 June

Bank of China Limited listed its shares on the Stock Exchange, the world's fourth largest IPO ever.



2 June

The Board approved the implementation of the Phase 2 reduction of minimum securities trading spreads in two phases. Phase 2A covers securities priced between \$2 and \$20 and Phase 2B covers securities priced between \$0.25 and \$2.

5 June

Expanded the CCASS IP Account Service to Macau individual investors and incorporated companies.

10 June

Migrated the circuits of the CCASS/3 to SDNet, the next generation network for the Cash and Derivatives Markets, which is being rolled out in phases to strengthen the technology infrastructure of HKEx's markets. As a result, Clearing Participants enjoy network cost saving of about 20 per cent.

12 June

CBBCs began trading on the Stock Exchange.

16 June

Posted responses to the GEM Discussion Paper on the HKEx website.

26 June

Reduced the board lot size of HKEx shares traded on the Stock Exchange from 2,000 shares to 500 shares.

7 July

Published the Exposure Conclusion on the “Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters”.

29 June

The Chairman of the Chinese People’s Political Consultative Conference, Mr Jia Qinglin, visited the Exchange Trading and Exhibition Hall Complex.

**8-12 July**

Participated in a roadshow organised by a Japanese securities firm to promote the Hong Kong market to potential investors in Osaka, Tokyo and New York.

**24 July**

Implemented the Phase 2A reduction of minimum securities trading spreads.

11 August

HSI Services Limited announced the addition of HKEx as a Hang Seng Index constituent stock effective 11 September 2006.

Corporate Information

BOARD OF DIRECTORS

Independent Non-executive Chairman

ARCULLI, Ronald Joseph* GBS, JP
*(appointed as Director on 26 April 2006
and as Chairman on 28 April 2006)*

LEE Yeh Kwong, Charles* GBM, GBS, JP
(retired on 26 April 2006)

Executive Director, Chief Executive

CHOW Man Yiu, Paul SBS, JP

Independent Non-executive Directors

CHA May-Lung, Laura* SBS, JP
(appointment effective 26 April 2006)

CHENG Mo Chi, Moses* GBS, JP
(appointment effective 26 April 2006)

CHEUNG Kin Tung, Marvin* SBS, JP

FAN Hung Ling, Henry* SBS, JP

FONG Hup* MH

FRESHWATER, Timothy George*
(retired on 26 April 2006)

KWOK Chi Piu, Bill

LEE Jor Hung, Dannis BBS
(retired on 26 April 2006)

LEE Kwan Ho, Vincent Marshall

LO Ka Shui* GBS, JP
(retired on 26 April 2006)

LOH Kung Wai, Christine
(elected on 26 April 2006)

STRICKLAND, John Estmond GBS, JP

WEBB, David Michael
(re-elected on 26 April 2006)

WONG Sai Hung, Oscar

* Government Appointed Directors

COMMITTEES

Audit Committee

STRICKLAND, John Estmond *(Chairman)*

FONG Hup *(Deputy Chairman)*

CHENG Mo Chi, Moses
(appointment effective 27 April 2006)

CHEUNG Kin Tung, Marvin

FAN Hung Ling, Henry
(resigned on 27 April 2006)

LEE Kwan Ho, Vincent Marshall

Executive Committee

ARCULLI, Ronald Joseph *(Chairman)*
(appointment effective 28 April 2006)

LEE Yeh Kwong, Charles *(ex-Chairman)*
(retired on 26 April 2006)

CHOW Man Yiu, Paul

CONROY, Patrick Kevin
(retired on 27 April 2006)

FONG Hup
(appointment effective 27 April 2006)

KWOK Chi Piu, Bill

LEE Jor Hung, Dannis
(retired on 26 April 2006)

LEE Kwan Ho, Vincent Marshall
(appointment effective 27 April 2006)

Investment Advisory Committee

FAN Hung Ling, Henry *(Chairman)*
(appointment effective 27 April 2006)

FRESHWATER, Timothy George *(ex-Chairman)*
(retired on 26 April 2006)

WONG Sai Hung, Oscar *(Deputy Chairman)*

CHA May-Lung, Laura
(appointment effective 27 April 2006)

SUN Tak Kei, David

WEBB, David Michael
(re-appointment effective 27 April 2006)

Nomination Committee

ARCULLI, Ronald Joseph (*Chairman*)
(*appointment effective 27 April 2006*)

LEE Yeh Kwong, Charles (*ex-Chairman*)
(*retired on 26 April 2006*)

FONG Hup

LEE Kwan Ho, Vincent Marshall

WEBB, David Michael
(*re-appointment effective 27 April 2006*)

WONG Sai Hung, Oscar

Panel Member Nomination Committee

(*established on 12 April 2006*)

CHA May-Lung, Laura
(*appointment effective 27 April 2006*)

FONG Hup

KWOK Chi Piu, Bill

LEE Jor Hung, Dannis
(*retired on 26 April 2006*)

LEE Kwan Ho, Vincent Marshall

WONG Sai Hung, Oscar

Remuneration Committee

CHEUNG Kin Tung, Marvin (*Chairman*)
(*appointment effective 27 April 2006*)

LO Ka Shui (*ex-Chairman*)
(*retired on 26 April 2006*)

CHENG Mo Chi, Moses
(*appointment effective 27 April 2006*)

FONG Hup
(*appointment effective 27 April 2006*)

LEE Jor Hung, Dannis
(*retired on 26 April 2006*)

LEE Kwan Ho, Vincent Marshall
(*appointment effective 27 April 2006*)

LOH Kung Wai, Christine
(*appointment effective 27 April 2006*)

Risk Management Committee

(*established under Section 65 of the SFO*)

ARCULLI, Ronald Joseph (*Chairman*)
(*appointment effective 28 April 2006*)

LEE Yeh Kwong, Charles (*ex-Chairman*)
(*retired on 26 April 2006*)

CHAN Ka-lok**

FAN Hung Ling, Henry

FONG Hup**

HE Guangbei**
(*appointment effective 20 January 2006*)

KWOK Chi Piu, Bill

WHEATLEY, Martin**

WONG Tung-shun, Peter**
(*retired on 19 January 2006*)

YUE Wai Man, Eddie**

** *Appointed by the Financial Secretary*

COMPANY SECRETARY

MAU Kam Shing, Joseph

**AUTHORISED
REPRESENTATIVES**

CHOW Man Yiu, Paul

MAU Kam Shing, Joseph

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

Allen & Overy

Shareholding Analysis

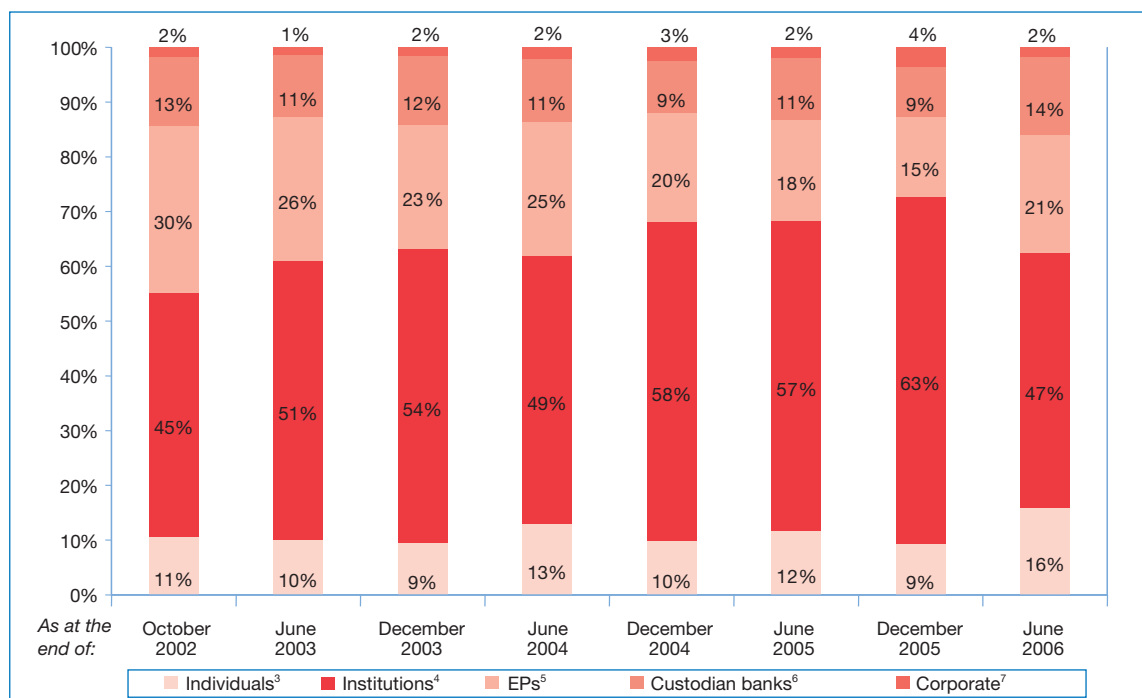
Shareholdings according to the Register of Members of HKEx (“ROM”) as at 30 June 2006 and 30 June 2005:

Size of shareholding	Number of shareholders		Percentage of shareholders (%)		Number of shares ('000)		Percentage of total issued capital (%)	
	2006	2005	2006	2005	2006	2005	2006	2005
1 – 1,000	22	18	1.57	1.29	6	5	0.00	0.00
1,001 – 5,000	656	571	46.76	40.93	1,763	1,564	0.17	0.15
5,001 – 10,000	303	341	21.60	24.45	2,580	2,918	0.24	0.27
10,001 – 100,000	271	309	19.31	22.15	9,270	10,611	0.87	1.00
100,001 and above	151	156	10.76	11.18	1,051,234	1,046,103	98.72	98.58
Total	1,403	1,395	100.00	100.00	1,064,853	1,061,201	100.00	100.00

Further analysis of share ownership¹ as at 30 June 2006 and 30 June 2005:

Category	2006		2005	
	Number of shares ('000)	Percentage of total issued capital (%)	Number of shares ² ('000)	Percentage of total issued capital ² (%)
Individuals³	168,996	15.87	123,233	11.61
Local	164,250	15.42	121,146	11.41
Overseas	4,746	0.45	2,087	0.20
Institutions⁴	495,942	46.57	602,041	56.73
Local	44,541	4.18	86,116	8.11
Overseas	451,401	42.39	515,925	48.62
EPs⁵	228,934	21.50	196,062	18.48
Custodian banks⁶	152,956	14.37	119,297	11.24
Corporate⁷	18,025	1.69	20,568	1.94
Total	1,064,853	100.00	1,061,201	100.00

Further analysis of share ownership¹ (October 2002 – June 2006):



Notes:

1. The identification of shareholders by type was done by examination of the ROM, the CCASS Participants Shareholding Report ("PSH Report") and the responses of custodian banks and EPs to enquiries conducted in the respective periods. For June 2006, responses were received from four custodian banks and five EPs which are among the top ten holders of HKEx shares in HKSCC Nominees Limited; they held in aggregate 619 million shares or 58 per cent of the total issued shares at the end of June 2006. For June 2005, responses were received from five custodian banks and two EPs which are among the top ten holders of HKEx shares in HKSCC Nominees Limited; they held in aggregate 663 million shares or 62 per cent of the total issued shares at the end of June 2005.
2. The breakdown figures presented in the 2005 Interim Report are revised as a result of refinement in shareholder classification. The revised percentages differ from the former ones by no more than two percentage points.
3. Shares owned by individuals other than those who are EPs. (For 2005, some EPs may be individuals. For 2006, all EPs are corporations.)
4. Shares held by companies which have asset management or investment business.
5. Shares held by EPs (including Stock EPs and Futures EPs), but excluding shares held for clients by the respondent EPs in the respective periods.
6. Shares held by custodian banks for which no analysis of clients was obtained.
7. Shares owned by companies other than those which are institutions, EPs, custodian banks and HKSCC Nominees Limited.

SHAREHOLDERS WITH TOP TEN HOLDINGS

The top ten holdings as appeared on the ROM as at 30 June 2006 and 30 June 2005 were held by the respective shareholders as follows:

2006				2005			
Name		Number of shares (’000)	Percentage of total issued capital (%)	Name		Number of shares (’000)	Percentage of total issued capital (%)
1	HKSCC Nominees Ltd	938,025	88.09	HKSCC Nominees Ltd		918,745	86.58
	Category A Participants	92,618	8.70	Category A Participants		36,879	3.48
	Category B Participants	82,045	7.70	Category B Participants		42,770	4.03
	Category C Participants	79,844	7.50	Category C Participants		74,627	7.03
	Custodians	674,938	63.38	Custodians		755,960	71.24
	IPs	8,563	0.80	IPs		8,848	0.83
		938,008*	88.08			919,084*	86.61
2	Sun Hung Kai Investment Services Ltd	8,050	0.76	Sun Hung Kai Investment Services Ltd		8,050	0.76
3	HSBC Nominees (Hong Kong) Ltd	5,059	0.48	Roctec Futures Trading Co Ltd		5,574	0.53
4	Tung Tak Securities (HK) Co Ltd	3,220	0.30	Sun Hung Kai Commodities Ltd		4,181	0.39
5	Phillip Commodities (HK) Ltd	2,787	0.26	HSBC Nominees (Hong Kong) Ltd		3,663	0.35
= 5	Wocom Ltd	2,787	0.26	Tung Tak Securities (HK) Co Ltd		3,220	0.30
7	Cheung Ching Kwong	2,778	0.26	Phillip Commodities (HK) Ltd		2,787	0.26
8	Phillip Securities (HK) Ltd	2,415	0.23	Wocom Ltd		2,787	0.26
= 8	Wong Wai Gin	2,415	0.23	Phillip Securities (HK) Ltd		2,415	0.23
10	Corporate Brokers Ltd	1,610	0.15	Roctec Securities Company Ltd		2,415	0.23
=10	DL Brokerage Ltd	1,610	0.15	Wong Wai Gin		2,415	0.23
=10	Full Speed Securities Co Ltd	1,610	0.15				
=10	Grand Fortune Securities & Investment Co Ltd	1,610	0.15				
=10	Wing Sang Securities Co Ltd	1,610	0.15				
=10	Yu On Securities Co Ltd	1,610	0.15				

Figures in this section may not add up to the total, sub-totals or 100 per cent due to rounding.

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

As at 30 June 2006, 13 (2005: 13) Category A Participants (top 14 brokers by market turnover), 42 (2005: 43) Category B Participants (brokers ranked 15 – 65 by market turnover), 326 (2005: 313) Category C Participants (all remaining brokers), 29 (2005: 32) Custodians and 361 (2005: 242) IPs were holding shares in HKEx.

Management Discussion and Analysis

BUSINESS REVIEW

LISTING

Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers

On 7 July 2006, HKEx published the Exposure Conclusion on the “Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters”, including the related amendments to the Listing Rules. Implementation of the conclusions will ultimately lead to the total abolition of paid announcements as the primary means of information dissemination for Main Board issuers.

Before total abolition of the requirement to publish paid announcements, a six-month transitional period will be introduced, during which issuers will have to publish a notification of the announcements in newspapers and post the full version on the HKEx website and their own websites. A Main Board issuer without its own website must publish the full announcement in newspapers as well as on the HKEx website.

A further announcement will be made regarding the commencement of the transitional period which is currently expected to be at least six months after the publication of the Exposure Conclusion.

New Structure for Listing Decision-Making

In February 2006, HKEx announced the conclusions to its consultation regarding a new structure for listing decision-making and the Listing Rules amendments for implementing the first phase changes. The Listing Rules amendments, which became effective in February and May 2006, included inter alia, an expansion of the Listing Committees to at least 28 members and an increase in the number of investor representatives to at least eight.

The second phase will commence subject to the conclusion on giving statutory backing to part of the Listing Rules.

Regulation of Sponsors and Compliance Advisers

In October 2004, HKEx and the SFC published conclusions to a joint consultation paper published in May 2003 regarding the regulation of sponsors and independent financial advisers (“IFA”). Pursuant to the conclusions, the SFC conducted a further consultation in June 2005 with a view to amending its existing registration and licensing requirements to impose specific initial and continuing suitability requirements for sponsors, compliance advisers and IFA.

In April 2006, the SFC concluded its further consultation and announced that amendments to its licensing and monitoring regimes for sponsors and compliance advisers would take effect from 1 January 2007. HKEx is considering corresponding Listing Rules amendments to remove any regulatory overlap, and will make an announcement on proposed rule changes later this year.

Review of the GEM

The discussion paper to facilitate public discussion on the GEM was released in January 2006 for the purpose of enhancing further development of the GEM and ensuring that its objectives and functions appropriately align with the expectations and needs of various market stakeholders. A total of 16 submissions were received and a summary of those submissions was posted on the HKEx website in July 2006. Recommendations in the submissions are being analysed.

Training for Hong Kong-listed Mainland Enterprises

With the establishment of the China Affairs Team in February 2006, training seminars for the senior management of Hong Kong-listed Mainland enterprises were organised in Beijing in May and June 2006 with a view to improving their knowledge and understanding of regulatory and corporate governance issues on a practical level. The seminars were well received with the participants being mainly representatives from Hong Kong-listed Mainland enterprises and Mainland government authorities. A series of workshops will be held in Beijing on a regular basis.

CASH MARKET

Market Performance

In the first half of 2006, 22 companies were newly listed on the Main Board and four on the GEM. Total capital raised, including post-listing funds, reached \$195.6 billion. Total market capitalisation exceeded \$10,000 billion on 3 May 2006. As at 30 June 2006, 948 and 200 companies were listed on the Main Board and the GEM respectively with a total market capitalisation of about \$9,840 billion. In addition, there were 1,481 derivative warrants, eight Exchange Traded Funds, four Real Estate Investment Trusts and 174 debt securities listed as at the end of June 2006. Average daily turnover in the first half of 2006 was about \$32.4 billion on the Main Board and about \$199 million on the GEM.

Opening of the Exchange Trading and Exhibition Hall Complex

The opening of the refurbished Trading Hall in January 2006 was officiated by the Financial Secretary. The grand opening of the Exchange Trading and Exhibition Hall Complex was officiated by the Chief Executive of Hong Kong on 26 April 2006. The Exchange Exhibition Hall has been open to the public since 15 May 2006.

Trading System Enhancement

As a result of the growing trading activities in the Cash Market, there are more price and order queue updates in the trading system. HKEx plans to increase the market data broadcast rate of the AMS/3 by the end of this year.

Market Infrastructure Improvements

On 15 May 2006, HKEx introduced a new web-based DWRC which offers the investing public a new resource centre where they can learn about the derivative warrants listed on the Stock Exchange. The centre supports the SFC's initiatives on investor education and information dissemination contained in its Six-Point Plan Report published in March this year.

The maximum number of outstanding orders per price queue in the AMS/3 was increased from 4,000 to 8,000 effective 29 May 2006. The increase is aimed at facilitating EPs' order input efficiency, in particular for initial trading of shares in popular IPOs.

In June 2006, the Board approved the progressive implementation of reduced minimum securities trading spreads in two phases, namely Phases 2A and 2B. Phase 2A, which was implemented on 24 July 2006, covers securities priced between \$2 and \$20 while Phase 2B covers securities priced between \$0.25 and \$2. HKEx will monitor the results of Phase 2A and proceed with Phase 2B in the first quarter of 2007, if no systemic problems are noted.

Product Development

The first batch of CBBCs, comprising seven contracts from four issuers, was listed on 12 June 2006. A total of 11 CBBCs were listed as at the end of June 2006. The total turnover volume of the product was 277 million units and the turnover value was \$204 million from roll-out to the end of June.

HKEx had organised and participated in a number of events to educate investors and market participants about CBBCs. In the coming months, further Continuous Professional Training courses will be organised for EPs and CBBC issuers.

HKEx has constructed a dedicated CBBC section on its website (www.hkex.com.hk/cbbc) to provide market participants with information about the product, including issuer information, education material and articles written by HKEx on the subject, which had been published in newspapers or posted on financial websites.

Market Value of All Listed Companies – Main Board & GEM

As at the end of June

	2006 (\$ mil)	2005 (\$ mil)	% Change
Main Board			
Finance	3,799,702.83	2,290,924.52	65.86
Utilities	475,886.09	434,193.55	9.60
Properties	1,036,493.82	811,456.63	27.73
Consolidated Enterprises	2,638,850.63	2,088,019.81	26.38
Industrials	1,699,367.91	1,176,998.78	44.38
Hotels	75,260.27	70,547.99	6.68
Miscellaneous	32,810.72	21,185.85	54.87
Sub-total	9,758,372.27	6,893,327.13	41.56
GEM	82,030.68	65,376.11	25.48
Total	9,840,402.95	6,958,703.24	41.41

Number of Listed Companies – Main Board & GEM

As at the end of June

	2006	2005	% Change
Main Board			
Finance	79	80	(1.25)
Utilities	18	15	20.00
Properties	100	100	0.00
Consolidated Enterprises	304	289	5.19
Industrials	428	399	7.27
Hotels	12	12	0.00
Miscellaneous	7	6	16.67
Sub-total	948	901	5.22
GEM	200	203	(1.48)
Total	1,148	1,104	3.99

Number of Listed Securities – Main Board & GEM

As at the end of June

	2006	2005	% Change
Ordinary shares	1,149	1,104	4.08
Preference shares	2	4	(50.00)
Warrants	1,510	953	58.45
– Equity Warrants	29	26	11.54
– Derivative Warrants	1,481	927	59.76
Callable Bull/Bear Contracts *	11	–	N/A
Equity Linked Instruments	0	0	N/A
Unit Trusts	14	10	40.00
– Exchange Traded Funds	8	7	14.29
– Real Estate Investment Trusts °	4	–	N/A
– Others	2	3	(33.33)
Debt Securities	174	164	6.10
Total	2,860	2,235	27.96

* commenced trading on 12 June 2006

° first listed on the Stock Exchange in November 2005

Market Value by Type of Securities – Main Board & GEM

As at the end of June

	2006 (\$ mil)	2005 (\$ mil)	% Change
Equities	9,840,402.95	6,958,703.24	41.41
Warrants	160,822.48	69,622.77	130.99
– Equity Warrants	1,862.10	2,499.05	(25.49)
– Derivative Warrants	158,960.38	67,123.72	136.82
Callable Bull/Bear Contracts *	928.23	–	N/A
Equity Linked Instruments	0.00	0.00	N/A
Unit Trusts	112,155.84	41,548.69	169.94
– Exchange Traded Funds	63,150.09	41,403.53	52.52
– Real Estate Investment Trusts °	48,986.56	–	N/A
– Others	19.19	145.16	(86.78)
Debt Securities	423,962.36^Δ	431,586.37 ^Δ	(1.77)
Total	10,538,271.86	7,501,461.07	40.48

* commenced trading on 12 June 2006

° first listed on the Stock Exchange in November 2005

Δ Nominal value

Turnover Value by Type of Securities – Main Board & GEM

For the six months ended 30 June

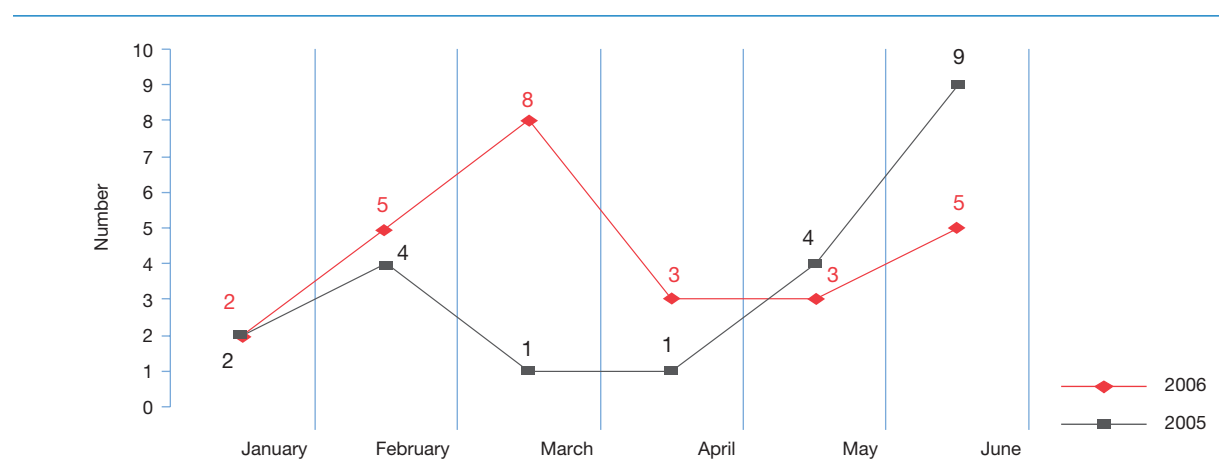
	2006 (\$ mil)	2005 (\$ mil)	% Change
Equities	3,131,805.58	1,700,243.24	84.20
Warrants	752,760.83	331,105.83	127.35
– Equity Warrants	896.70	1,644.03	(45.46)
– Derivative Warrants	751,864.13	329,461.80	128.21
Callable Bull/Bear Contracts *	204.22	–	N/A
Equity Linked Instruments	0.00	1.02	(100.00)
Unit Trusts	59,283.76	7,734.48	666.49
– Exchange Traded Funds#	29,725.01	7,734.14	284.34
– Real Estate Investment Trusts °	29,557.79	–	N/A
– Others	0.96	0.34	182.35
Debt Securities	2.05	7.72	(73.45)
Total	3,944,056.44	2,039,092.29	93.42

* commenced trading on 12 June 2006

including two iShares for trading only

° first listed on the Stock Exchange in November 2005

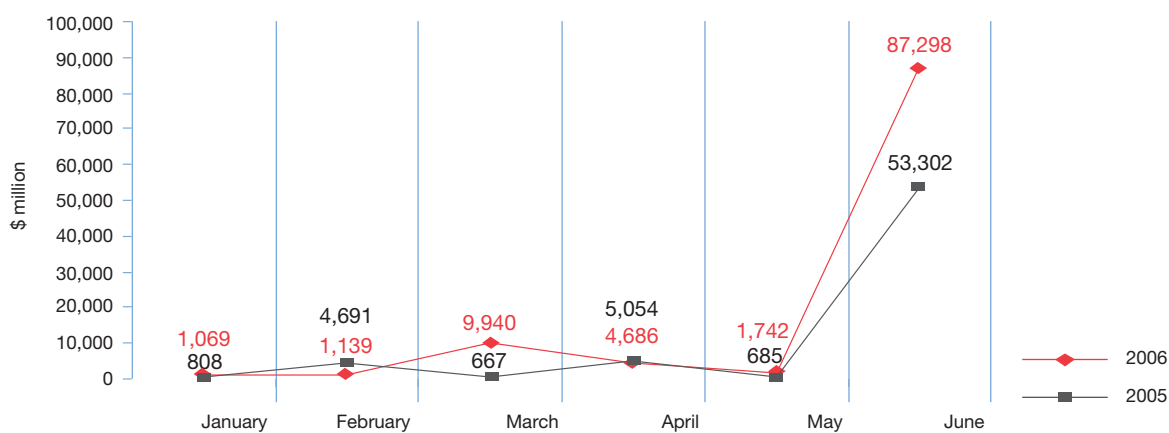
Number of Newly Listed Companies – Main Board & GEM



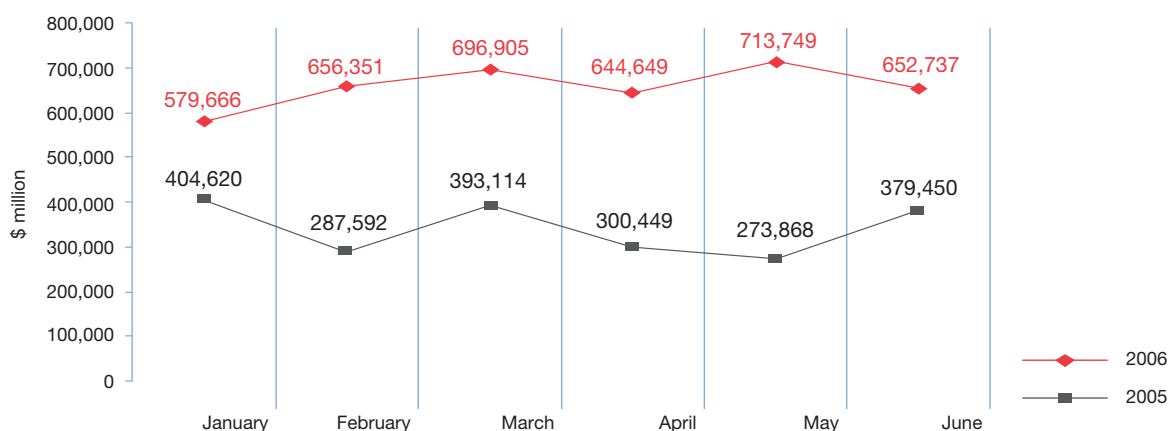
	Number of Listed Companies		Total
	Main Board	GEM	
– At the beginning of the year	934	201	1,135
– New listing	22*	4	26
– Delisted	(8)	(5)*	(13)
At end of June 2006	948	200	1,148

* including one delisted GEM company which was subsequently listed on the Main Board

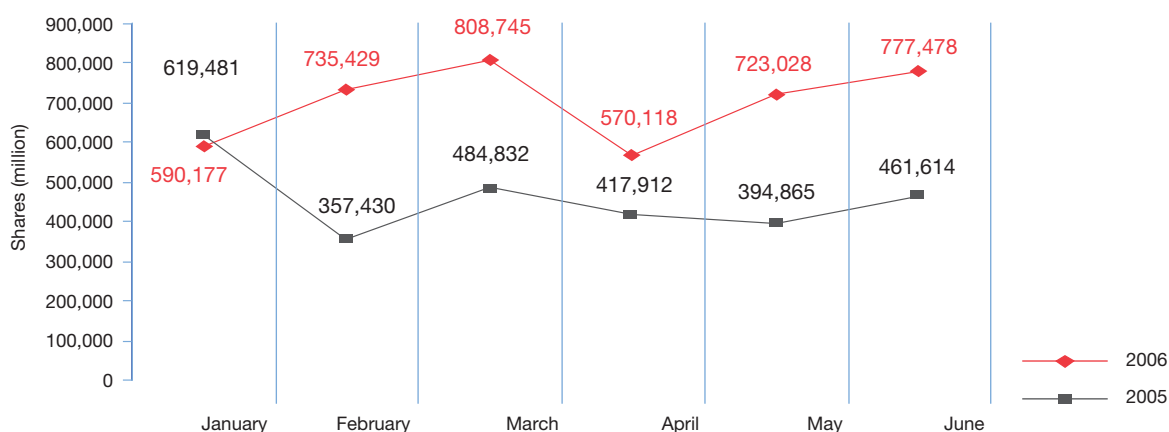
Funds Raised by Newly Listed Companies – Main Board & GEM



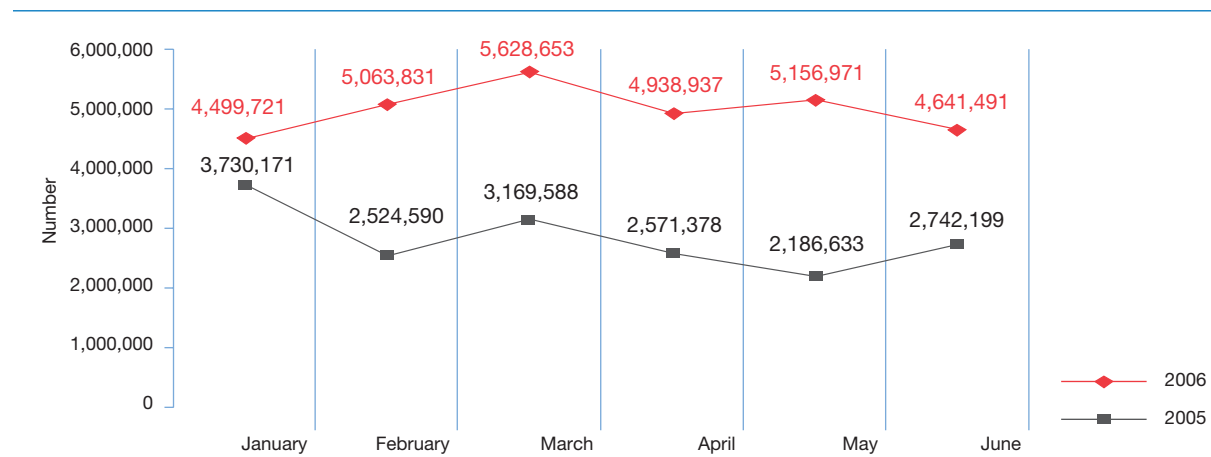
Monthly Turnover (Value) – Main Board & GEM



Monthly Turnover (Volume) – Main Board & GEM

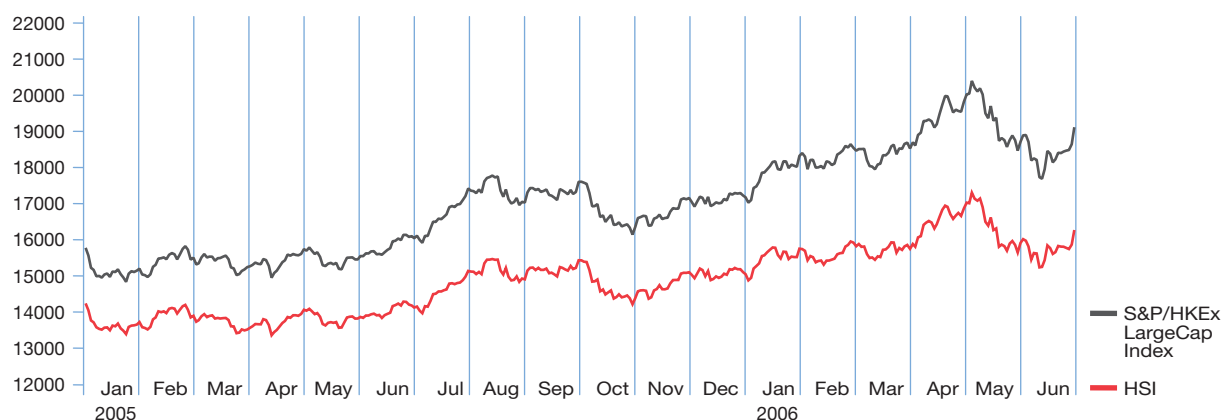


Number of Transactions – Main Board & GEM



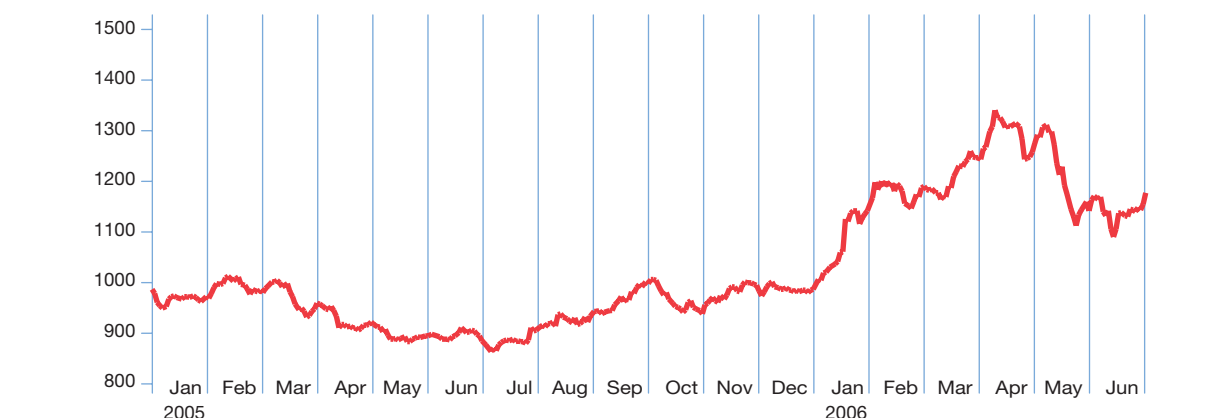
Hang Seng Index (“HSI”) and S&P/HKEx LargeCap Index

January 2005 – June 2006



S&P/HKEx GEM Index

January 2005 – June 2006



DERIVATIVES MARKET

Market Performance

In the first half of 2006, record high daily volume and open interest were achieved for various products, as below:

Products	Record High Daily Volume		Record High Open Interest	
	Date	Number of Contracts	Date	Number of Contracts
Hang Seng Index Futures	28 Mar 06	157,327	–	–
Hang Seng Index Options	23 May 06	29,578	28 Jun 06	328,626
Mini-Hang Seng Index Futures	28 Jun 06	14,498	11 Apr 06	6,125
Mini-Hang Seng Index Options	23 Jan 06	701	–	–
H-shares Index Futures	25 Apr 06	65,680	26 May 06	75,164
H-shares Index Options	8 Jun 06	13,978	26 Jun 06	117,061
Stock Futures	–	–	19 May 06	5,067
Stock Options	27 Feb 06	144,596	29 Mar 06	2,028,227
FTSE/Xinhua China 25 Index Futures	–	–	29 May 06	488
FTSE/Xinhua China 25 Index Options	9 Jan 06	258	–	–

Product and Market Development

To accommodate future growth of the Derivatives Market, capacity upgrade of the HKATS was completed in January 2006. After the upgrade, the capacity of the host system to handle order book changes has more than doubled. To better utilise the increased system capacity, a revision of the existing throughput arrangement was completed in June 2006. Based on the improvement, market makers will have sufficient throughput rate to provide continuous quotes in a large number of series so as to enhance liquidity of the option market.

To keep pace with market growth and development, and to meet the increasing trading and hedging needs of EPs and their clients, revised position limits for stock options were introduced on 10 February 2006. The new position limit is 50,000 open contracts in one market direction per stock option class for all expiry months combined, and that for certain stock option classes with relatively less liquid underlying markets is 30,000 open contracts in one market direction per stock option class for all expiry months combined.

In order to enable EPs to execute options strategies more efficiently, the standard combination order function previously used in futures trading on the Derivatives Market was extended to Hang Seng Index Options as of March 2006.

On 31 March 2006, HKEx introduced three additional long-dated contract months to Hang Seng Index Options contracts with maximum maturities up to 3.5 years and three new long-dated contract months to H-shares Index Options contracts with maximum maturities up to 2.5 years, with a view to capturing over-the-counter trades and further building open interest.

To further improve the efficiency of the marketplace, market maker obligations in the stock options market have been revised since 3 July 2006. The revisions include shortening the required response time to a quote request from within 90 seconds to within 20 seconds, extending the required exposure time of a quote in response to a quote request from at least 10 seconds to at least 20 seconds and increasing the number of option series assigned to a market maker providing continuous quotes from not less than 12 to not less than 18 per stock option class.

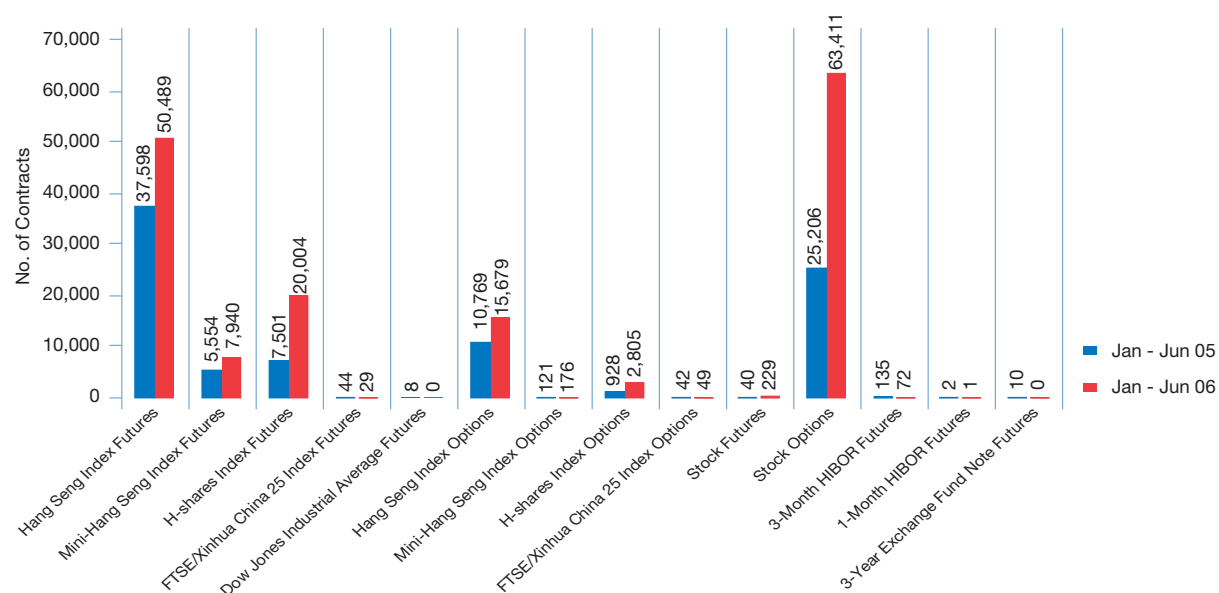
Education and Marketing

During the period, HKEx provided sponsorship to 10 EPs to conduct public investor seminars on stock options. The seminars were well attended.

In April 2006, seminars were held at HKEx's Beijing Representative Office to assist Mainland securities and futures brokers in their preparation to apply for exchange participantship. The seminars were attended by representatives from 24 Mainland futures brokers and 11 securities brokers. In the light of the overwhelming response, a similar seminar was organised in Shanghai in August 2006.

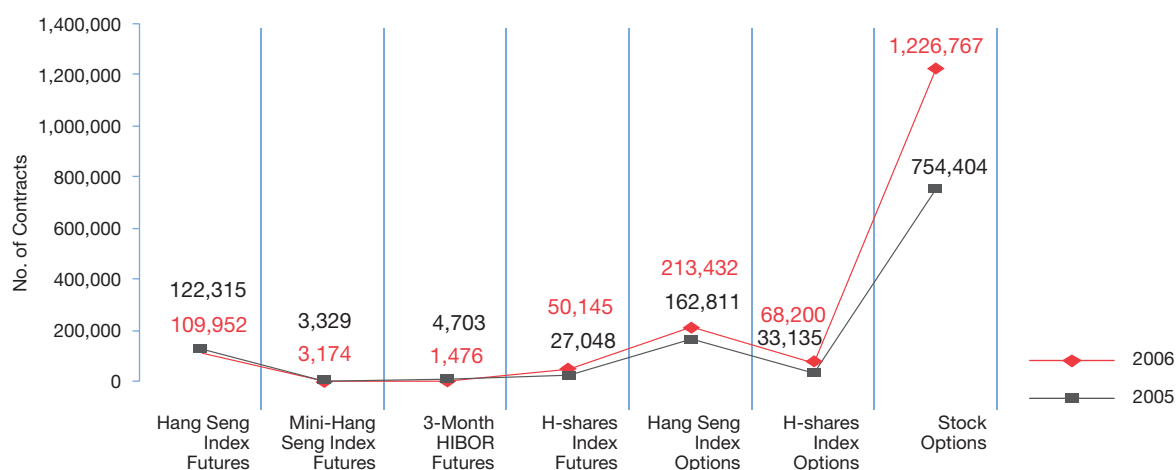
In order to promote HKEx as an international marketplace for trading China-related futures and options, HKEx participated in the "Derivatives & Securities World – London" as an exhibitor in June 2006 and arranged meetings with the affiliates of EPs as well as potential EPs.

Average Daily Volume of Derivatives Products (Contracts)



Open Interest of Derivatives Products (Contracts)

As at the end of June



Trading Right Holders Status

As at 30 June 2006

	Stock Exchange	Futures Exchange
Exchange Participants	467	136
Trading	426	136
Non-trading	41	0
Non-Exchange Participants	50	58
Corporate	2	49
Individual	48	9
Total	517	194

CLEARING

Fee Review of CCASS

The scrip fee assessed on deemed book close dates was eliminated effective 1 January 2006. The waiver of the Short Message Service fee and the dormant account fee for IP account services has been extended for one year from 30 June 2006 to 30 June 2007.

Improvements of CCASS Nominee Services

With effect from 3 January 2006, a series of improvements to nominee services have been implemented, which include the provision of a corporate action data download function, cancellation and re-input of authorised instructions, credit of scrip entitlement to participants' stock accounts on a real-time basis and extension of the service hours of various nominee functions.

Risk Management Measures

Effective 3 January 2006, no less than 50 per cent of the total margin requirement of any participant of HKCC and SEOCH must be in the form of cash and denominated in the relevant currency so as to strengthen risk management measures on non-contract currency cash collateral.

Five-Day Clearing Week

HKEx is preparing for the implementation of the Five-Day Clearing Week ("5DCW") initiative announced by The Hong Kong Association of Banks in May 2006. Pursuant to the initiative, the Hong Kong Interbank Clearing Limited will cease to provide clearing and settlement of funds through cheques, autopay, electronic fund transfers, etc. on Saturdays with effect from 4 September 2006.

Certain securities settlement and nominee-related services provided by HKSCC currently occurring on Saturdays via the cash clearing and settlement system will need to be re-scheduled. CCASS Participants will be notified of the relevant changes in due course.

The operation of the DCASS will not be affected by the 5DCW initiative, as HKCC and SEOCH currently do not provide clearing and settlement services on Saturdays.

Expanding Admission of IP to CCASS

In March 2006, the National Council for Social Security Fund of the People's Republic of China ("NCSSF") was admitted to CCASS as a Corporate IP. Following the admission, the NCSSF can deposit the state-owned shares that it has received under the State Council's Provisional Measures on Management over the Reduction of State Shares to Raise Social Security Funds into CCASS. Further relaxation to IP admission has been extended to Macau residents and incorporated companies since 5 June 2006.

Default of Participants

In 2003, Tai Wah Securities Limited failed to meet its obligations to HKSCC and is now in liquidation. Partial recovery has been made and the outstanding balance is about \$1.8 million. Should there be any outstanding balance upon completion of the liquidation process, recovery from the HKSCC Guarantee Fund will be made.

Following the High Court's approval of HKCC's petition to wind up Yicko Futures Limited ("Yicko") as a result of its failure to meet the obligations to HKCC, a provisional liquidator has been appointed in June 2006. HKCC will file a proof of debt against the assets of Yicko. Any deficiencies resulted from the liquidation process will be recovered from the HKCC Reserve Fund.

The SFC issued a restriction notice on Whole Win Securities Limited ("Whole Win") in May 2006. HKSCC acted according to the restriction notices and provided support to Whole Win's administrator in respect of settlement under CCASS. All outstanding positions, including some buy-in transactions, were settled in an orderly manner without loss. The cash collateral withheld by HKSCC was duly returned to Whole Win's administrator.

Upon issuance of a restriction notice by the SFC on Tiffit Securities (Hong Kong) Limited ("Tiffit") and Wing Yip Company Limited ("Wing Yip") in July and August 2006 respectively, HKSCC declared each of them a defaulter and closed out all their unsettled positions in CCASS. The settlement of Tiffit's positions by HKSCC left an overall net surplus which was duly returned to its administrators whereas the settlement of Wing Yip's positions left an overall deficit which was offset by the collateral withheld by HKSCC.

CCASS Statistics

Up to six-month ended 30 June

	2006	2005
Average Daily Exchange Trades Handled by CCASS		
– Number of trades	247,347	139,870
– Value of trades	\$32.6 billion	\$16.9 billion
– Share quantity involved	34.8 billion	22.6 billion
Average Daily Settlement Instructions ("SIs") Settled by CCASS		
– Number of SIs	35,685	24,201
– Value of SIs	\$82.4 billion	\$40.9 billion
– Share quantity involved	20.4 billion	13.9 billion
Average Daily Investor SIs ("ISIs") Settled by CCASS		
– Number of ISIs	536	342
– Value of ISIs	\$174.6 million	\$93.5 million
– Share quantity involved	66.8 million	75.0 million
Average Daily Settlement Efficiency of Continuous Net Settlement ("CNS") Stock Positions on Due Day (T+2)	99.71%	99.81%
Average Daily Settlement Efficiency of CNS Stock Positions on the Day following the Due Day (T+3)	99.97%	99.98%
Average Daily Buy-ins Executed on T+3		
– Number of brokers involved	13	7
– Number of buy-ins	14	7
– Value of buy-ins	\$7.7 million	\$1.7 million
Shares Deposited in the CCASS Depository		
– Number of shares	1,430.5 billion	1,234.6 billion
– Percentage of total issued share capital of the admitted securities	57.36%	60.55%
– Value of shares	\$3,799.0 billion	\$2,621.7 billion
– Percentage of the total market capitalisation of the admitted securities	36.09%	35.47%

BUSINESS DEVELOPMENT

Mainland Promotional Initiatives

HKEx is dedicated to strengthening its position as the premier capital formation market for the listing of Mainland companies outside the Mainland. HKEx's Beijing Representative Office serves as a liaison office as well as an important conduit to provide timely information to state and regional government agencies and prospective issuers in the Mainland. HKEx executives participated in a number of events held in Hong Kong and around 13 Mainland cities to promote Hong Kong listing to potential issuers.

Besides focusing on major cities or provinces, HKEx has extended its marketing effort to other provinces, for instance, a well-received conference was co-hosted with the Nanchang Municipal Government to introduce listing in Hong Kong.

Moreover, HKEx participated in the Pan-Pearl River Delta Region Financial Services Forum in March 2006, an event organised by the Government, and co-organised two conferences with the Hebei and Anhui provincial governments in March and May 2006 respectively in Hong Kong.

Promoting Hong Kong Listings to Regional Companies

HKEx co-organised several events for regional companies seeking capital from the international market. A local conference for Korean companies was held in May this year in collaboration with the Korean Chamber of Commerce in Hong Kong. Another seminar was co-hosted with an international accounting firm in June 2006 in Hong Kong to introduce local listing to Japanese companies and financial institutions.

HKEx's executives also contacted potential issuers in the region and participated in various conferences held in Japan, South Korea, Taiwan and Thailand to highlight the unique strengths and competitiveness of HKEx as an ideal venue for raising capital.

Training Programmes for Mainland Issuers

A high level of corporate governance is crucial for maintaining the competitiveness and attractiveness of the Hong Kong market. Apart from two seminars on regulatory issues held in Beijing in May and June 2006, HKEx participated in a training programme on corporate governance in May 2006 held in conjunction with The Hong Kong Polytechnic University and the Hong Kong and Macao Affairs Office of the State Council for the senior management of Mainland issuers.

INFORMATION SERVICES

Further Expansion of Data Redistribution Network

The redistribution network of HKEx's market data expanded further in the first half of 2006. The number of HKEx's real-time information vendors increased from 94 to 97, covering all the major markets in the world.

Publication of the HKEx Fact Book

The HKEx Fact Book 2005 was published in early March 2006 to provide market participants with a quick and comprehensive reference to recent developments in the local Cash and Derivatives Markets. It includes index movements, trading statistics and analyses, corporate activities of listed companies, fund-raising figures, historical statistics as well as market surveys of the investor community.

Continuing Growth of Issuer Disclosures and Disclosures of Interests

The number of issuer disclosures and Disclosure of Interests (“DI”) information published on the HKEx website continued to grow in the first half of 2006. From January to June this year, there were 47,351 issuer disclosures and 18,913 DI notices released on the HKEx website, both were increased by 18 per cent from the corresponding period in 2005.

INFORMATION TECHNOLOGY

Production Systems Stability and Reliability

Up to the end of June 2006, all major trading, clearing and settlement and market data dissemination systems for the Cash and Derivatives Markets maintained 100 per cent operational system uptime. HKEx will continue its efforts to uphold this rate of system stability and reliability.

Capacity Planning and Upgrade

The capacity and performance of the AMS/3, HKATS, DCASS and Price Reporting System (“PRS”) were further upgraded successfully in the first quarter of 2006 to support the increasing market activities. To enable higher data throughput, the throttle rates of the securities and derivatives datafeeds have been increased to 384 kilobits per second and 250 messages per second (“mps”) (150 mps for datafeed without price depth) respectively. The said systems operated effectively and reliably during the period amid the substantial increase in activities on the Cash and Derivatives Markets.

The capacity of the HKEx website infrastructure was also upgraded substantially during the period to cope with the rapid rise in the volume of disseminated information and more frequent access by the investor community.

Obsolescent Technology Replacement and System Upgrade

During the period, HKEx successfully upgraded all the HKATS and DCASS Network Gateways in Participants’ premises to the latest version.

Due to technology obsolescence, HKEx is in the process of upgrading the middle-tier system software for CCASS/3 to achieve system maintainability and cost effectiveness. The upgrade is to be completed by the second half of 2006.

HKEx is also upgrading all the AMS/3 Open Gateway and Multi-workstation hardware and system software to cater for additional system capacity and secure quality vendor support. The upgrade is being conducted in batches until the second quarter of 2007.

System Consolidation and Operational Efficiency

All the CCASS/3 circuits were successfully migrated to the SDNet, a new Optical Ethernet network, in June 2006. The SDNet has been operating smoothly and reliably since the implementation of Phase 1 (HKATS / DCASS / PRS circuits migrated in October 2005) and Phase 2 (CCASS/3 circuits migrated in June 2006). Starting from July 2006, the majority of Clearing Participants enjoy network cost saving of about 20 per cent. Meanwhile, planning for Phase 3, the AMS/3 and Market Datafeed circuit migration to the SDNet, is in progress.

A feasibility study on improving the AMS/3 performance throughput is in progress to explore practical ways to realise the benefits of the technological advancement of the HP Non-stop platform and prepare for the migration of the AMS/3 to a higher version of server technology. Proof-of-concept exercises are in progress with encouraging preliminary results being achieved. The feasibility study is to be completed in the second half of 2006.

HKEx has completed the Phase 1 redevelopment of the Derivatives Market risk management systems. The Phase 2 redevelopment to further improve operational efficiency is in progress and it will be completed in batches starting from late 2006 until mid-2007.

Integration of the Cash and Derivatives Markets' participant information systems and development of finance management information systems commenced during the period. The objective is to further strengthen the quality of management information to support HKEx's business operations, formulation of policies and development of business strategies.

TREASURY

The Group's funds available for investment comprise Corporate Funds, Margin Funds and Clearing House Funds, totalling \$24.1 billion on average for the six months ended 30 June 2006 (first half of 2005 average: \$15.6 billion).

As compared with 31 March 2006, the overall size of funds available for investment as at 30 June 2006 increased by 12 per cent or \$2.8 billion to \$25.3 billion (31 March 2006: \$22.5 billion). Details of the asset allocation of the investments as at 30 June 2006 against those as at 31 March 2006 are set out below.

	Investment Fund Size \$ billion		Bonds		Cash or Bank Deposits		Global Equities	
	Jun	Mar	Jun	Mar	Jun	Mar	Jun	Mar
Corporate Funds	4.9	5.2	49%	45%	45%	48%	6%	7%
Margin Funds	17.7	15.6	42%	18%	58%	82%	0%	0%
Clearing House Funds	2.7	1.7	12%	6%	88%	94%	0%	0%
Total	25.3	22.5	40%	23%	59%	75%	1%	2%

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 30 June 2006 and 31 March 2006), which have no maturity date, the maturity profiles of the remaining investments as at 30 June 2006 (\$25.0 billion) and 31 March 2006 (\$22.2 billion) were as follows:

	Investment Fund Size \$ billion		Overnight		>Overnight to 1 month		>1 month to 1 year		>1 year to 3 years		> 3 years	
	Jun	Mar	Jun	Mar	Jun	Mar	Jun	Mar	Jun	Mar	Jun	Mar
Corporate Funds	4.6	4.9	14%	20%	20%	29%	32%	21%	20%	16%	14%	14%
Margin Funds	17.7	15.6	41%	43%	24%	40%	34%	14%	1%	3%	0%	0%
Clearing House Funds	2.7	1.7	88%	82%	0%	10%	12%	2%	0%	6%	0%	0%
Total	25.0	22.2	40%	41%	21%	35%	31%	15%	5%	6%	3%	3%

Credit exposure is well diversified. The bond portfolio held is of investment grade and, as at 30 June 2006, had a weighted average credit rating of Aa2 (31 March 2006: Aa2) and a weighted average maturity of 1.0 year (31 March 2006: 1.5 years). 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 second quarter and first quarter of 2006 was as follows:

	Average VaR \$ million		Highest VaR \$ million		Lowest VaR \$ million	
	Apr-Jun	Jan-Mar	Apr-Jun	Jan-Mar	Apr-Jun	Jan-Mar
Corporate Funds	13.0	13.5	13.9	14.4	12.5	12.3
Margin Funds	7.4	6.4	8.5	9.4	6.1	4.1
Clearing House Funds	0.5	0.4	0.6	0.6	0.4	0.3

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

INVESTMENTS IN ASSOCIATES

Computershare Hong Kong Investor Services Limited (“CHIS”)

As at 30 June 2006, the Group had a 30 per cent interest in CHIS. The cost of the investment in CHIS was \$52 million (31 December 2005: \$52 million) and the book value of the investment was \$65 million (31 December 2005: \$63 million).

ADP Wilco Processing Services Limited (“AWPS”)

The Group acquired a 30 per cent interest in AWPS in May 2002 at a cost of \$1.8 million. In March 2006, the Group received liquidation proceeds amounting to \$1.3 million which were marginally higher than the book value of the investment. AWPS was dissolved in July 2006.

FINANCIAL REVIEW

OVERALL PERFORMANCE

	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000
RESULTS		
Income:		
Income affected by market turnover	1,157,097	658,724
Stock Exchange listing fees	213,405	195,572
Income from sale of information	183,857	162,245
Investment income	216,922	122,073
Other income	123,967	99,851
	1,895,248	1,238,465
Operating expenses	596,488	570,518
Operating profit	1,298,760	667,947
Share of profits less losses of associates	9,252	8,635
Profit before taxation	1,308,012	676,582
Taxation	(199,701)	(105,786)
Profit attributable to shareholders	1,108,311	570,796
Basic earnings per share	\$1.04	\$0.54
Diluted earnings per share	\$1.03	\$0.54
Interim dividend declared per share	\$0.94	\$0.49
Dividend payout ratio	90%	91%
	Unaudited at 30 Jun 2006 \$'000	As restated Audited at 31 Dec 2005 \$'000
KEY BALANCE SHEET ITEMS		
Shareholders' funds	4,820,831	4,337,471 ^o
Total assets *	30,119,617	22,930,916 ^o
Net assets per share #	\$4.53	\$4.09 ^o

^o Audited and restated (shareholders' funds down by \$30 million, total assets down by \$30 million and net assets per share down by \$0.02) due to the adoption of a revised Hong Kong Financial Reporting Standard

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

Based on 1,063,883,346 shares as at 30 June 2006, being 1,064,853,346 shares issued and fully paid less 970,000 shares held for the Share Award Scheme (31 December 2005: 1,061,796,846 shares, being 1,062,754,846 shares issued and fully paid less 958,000 shares held for the Share Award Scheme)

The Group recorded a profit attributable to shareholders of \$1,108 million for the first six months of 2006 (first quarter: \$479 million; second quarter: \$629 million) compared with \$571 million for the same period in 2005 (2005 first quarter: \$245 million, 2005 second quarter: \$326 million).

The increase in profit for the six months ended 30 June 2006 was primarily attributable to a rise in turnover-related income resulting from the significant increase in level of activities of the Cash and Derivatives Markets, and growth in investment income arising from an increase in fair value gains of Corporate Fund investments and higher interest income in 2006.

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

INCOME

(A) Income affected by market turnover

	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000	Change
Trading fees and trading tariff	621,834	352,615	76%
Clearing and settlement fees	316,655	172,427	84%
Depository, custody and nominee services fees	218,608	133,682	64%
Total	1,157,097	658,724	76%

The increase in trading fees and trading tariff was mainly due to the higher market turnover of the Cash and Derivatives Markets in the first six months of 2006 against that of the corresponding period last year.

Clearing and settlement fees were derived predominantly from Cash Market transactions. Despite being mostly ad valorem fees, clearing and settlement fees were subject to a minimum and a maximum fee per transaction. During the period, clearing and settlement fees did not increase linearly with the 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 2006.

Despite the abolition of scrip fees on deemed book close effective 1 January 2006 (2005 first six months deemed book close scrip fees: \$17 million), depository, custody and nominee services fees increased due to higher scrip fees, stock withdrawal fees, corporate action fees and electronic IPO service (“eIPO”) handling charges. The fees were influenced by the level of Cash Market activities but did not move proportionately with changes in the Cash Market turnover as they varied mostly with the board lots rather than the value of the securities concerned and many were subject to a maximum fee. Moreover, scrip fee was only chargeable on the net increase in individual Participants’ aggregate holdings of securities on book closing dates.

Key market indicators

	Six months ended 30 Jun 2006	Six months ended 30 Jun 2005	Change
Average daily turnover value on the Stock Exchange	\$32.6 billion	\$16.9 billion	93%
Average daily number of derivatives contracts traded on the Futures Exchange	97,471	62,681	56%
Average daily number of stock options contracts traded on the Stock Exchange	63,411	25,206	152%

(B) Stock Exchange listing fees

	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000	Change
Annual listing fees	134,654	131,356	3%
Initial and subsequent issue listing fees	75,921	60,394	26%
Others	2,830	3,822	(26%)
Total	213,405	195,572	9%

The increase in annual listing fees was attributable to the higher number of listed securities. The rise in initial and subsequent issue listing fees was due to the increase in number of newly listed derivative warrants.

Key drivers for annual listing fees

	As at 30 Jun 2006	As at 30 Jun 2005	Change
Number of companies listed on the Main Board	948	901	5%
Number of companies listed on the GEM	200	203	(1%)
Total	1,148	1,104	4%

Key drivers for initial and subsequent issue listing fees

	Six months ended 30 Jun 2006	Six months ended 30 Jun 2005	Change
Number of newly listed derivative warrants	1,112	679	64%
Number of newly listed companies on the Main Board	22	19	16%
Number of newly listed companies on the GEM	4	2	100%
Total equity funds raised on the Main Board	\$189.1 billion	\$123.2 billion	53%
Total equity funds raised on the GEM	\$6.5 billion	\$1.6 billion	306%

(C) Income from sale of information

	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000	Change
Income from sale of information	183,857	162,245	13%

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

(D) Investment income

	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000	Change
Investment income	216,922	122,073	78%

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

	Six months ended 30 Jun 2006 \$ billion	Six months ended 30 Jun 2005 \$ billion	Change
Corporate Funds	4.6	3.9	18%
Margin Funds	17.7	10.2	74%
Clearing House Funds	1.8	1.5	20%
Total	24.1	15.6	54%

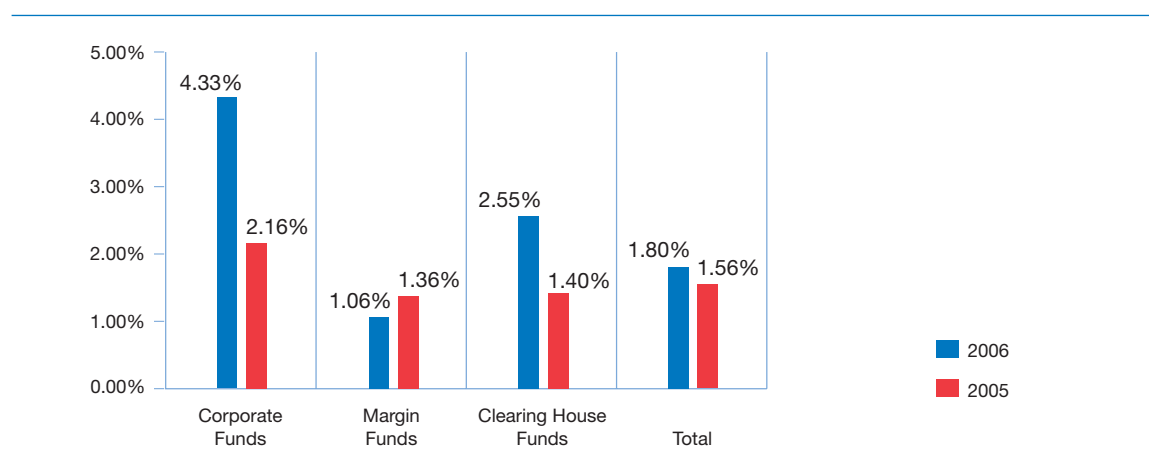
The increase in average amount of Corporate Funds during the period was mainly due to the profit net of dividends paid.

The increase in average amount of Margin Funds available for investment during the period was primarily due to the increased open interest in futures and options contracts.

The higher investment income was primarily due to the significant increase in interest income as a result of the increase in Margin Fund size and higher interest rates during the first six months of 2006 as compared with the corresponding period in 2005. The increase was however partly offset by a lower return on Margin Funds due to a significant increase in margin deposits denominated in Japanese Yen and a change in the benchmarked interest rate payable on cash margin deposits from 1 June 2005 onwards. In 2006, interest was paid on cash margin deposits based on savings rate. Prior to 1 June 2005, interest was not always paid to Participants as the interest rates payable on the cash margin deposits were often lower than the retention rates charged by HKCC and SEOCH on such cash margin deposits. Moreover, there was an increase in fair value gains of the Corporate Fund investments, reflecting market movements, during the first half of 2006.

The performance of funds available for investment during the period was as follows:

Annualised Return on Funds Available for Investment



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

(E) Other income

	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000	Change
Network, terminal user, dataline and software sub-license fees	77,928	66,134	18%
Participants' subscription and application fees	17,016	17,282	(2%)
Brokerage on direct IPO applications	17,104	6,188	176%
Trading booth user fees	4,371	–	N/A
Fair value gain of an investment property	1,000	2,600	(62%)
Accommodation income	820	1,494	(45%)
Miscellaneous income	5,728	6,153	(7%)
Total	123,967	99,851	24%

Network, terminal user, dataline and software sub-license fees increased due to the increase in open gateway and AMS/3 terminal user and installation fees and sales of additional throttles.

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

OPERATING EXPENSES

	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000	Change
Staff costs and related expenses	323,918	282,762	15%
Information technology and computer maintenance expenses	93,801	99,063	(5%)
Premises expenses	57,574	39,946	44%
Product marketing and promotion expenses	6,453	5,533	17%
Legal and professional fees	6,629	6,592	1%
Depreciation	50,260	85,680	(41%)
Other operating expenses	57,853	50,942	14%
Total	596,488	570,518	5%

Staff costs and related expenses rose by \$41 million, primarily due to the increase in salary costs and provident fund contributions as a result of the increase in headcount and salary adjustments in 2006, and an increase in performance bonus accruals on account of the improved performance of the Group. Employee share-based compensation costs also rose due to the amortisation of the fair value of shares granted under the Share Award Scheme in December 2005.

Information technology and computer maintenance expenses of the Group, after excluding goods and services directly consumed by Participants of \$28 million (2005: \$26 million), were \$66 million (2005: \$73 million). The reduction was mainly due to lower license fees and network costs. The costs directly consumed by Participants were recovered from the Participants and the income was included as part of network, terminal user, dataline and software sub-license fees under Other Income. During the period under review, capital expenditures on computer systems, hardware and software amounted to \$5 million (2005: \$11 million).

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

Product marketing and promotion expenses increased due to promotional activities relating to the opening of the new Exchange Trading and Exhibition Hall Complex.

Depreciation fell as certain fixed assets became fully depreciated.

Other operating expenses increased, mainly attributable to higher bank charges due to increased eIPOs, higher index licence fees as a result of the rise in derivatives transactions, the increase in impairment losses of trade receivables and loss on disposal of fixed assets arising from the renovation of the Trading Hall.

SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000	Change
Share of profits less losses of associates	9,252	8,635	7%

Share of profits less losses of associates increased due to a six per cent increase in the interest in one of the associates, CHIS, since May 2005.

TAXATION

	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000	Change
Taxation	199,701	105,786	89%

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

COMPARISON OF 2006 SECOND QUARTER PERFORMANCE WITH 2006 FIRST QUARTER PERFORMANCE

	Unaudited Three months ended 30 Jun 2006 \$'000	Unaudited Three months ended 31 Mar 2006 \$'000
Income:		
Income affected by market turnover:		
Trading fees and trading tariff	324,281	297,553
Clearing and settlement fees	162,035	154,620
Depository, custody and nominee services fees	177,505	41,103
	663,821	493,276
Stock Exchange listing fees	103,712	109,693
Income from sale of information	98,340	85,517
Investment income	103,963	112,959
Other income	71,285	52,682
	1,041,121	854,127
Operating expenses	303,961	292,527
Operating profit	737,160	561,600
Share of profits less losses of associates	6,032	3,220
Profit before taxation	743,192	564,820
Taxation	(113,720)	(85,981)
Profit attributable to shareholders	629,472	478,839

Profit attributable to shareholders increased by \$150 million to \$629 million for the second quarter of 2006, compared with \$479 million recorded in the first quarter of 2006. The improvement in profit was mainly due to the increase in depository, custody and nominee services fees, trading fees and trading tariff and other income but partly offset by the drop in Stock Exchange listing fees and investment income, and the increase in operating expenses and taxation charge.

Depository, custody and nominee services fees rose significantly as a result of the increase in dividend collection and scrip fee income due to seasonal fluctuations, whereas trading fees and trading tariff, clearing and settlement fees and income from sale of information rose in tandem with the level of activities of the Cash and Derivatives Markets. In addition, other income of the Group rose on account of increased sales of additional throttles and higher brokerage on direct IPO applications.

Key market indicators

	Three months ended 30 Jun 2006	Three months ended 31 Mar 2006	Change
Average daily turnover value on the Stock Exchange	\$34.1 billion	\$31.2 billion	9%
Average daily number of derivatives contracts traded on the Futures Exchange	107,681	87,755	23%
Average daily number of stock options contracts traded on the Stock Exchange	65,038	61,863	5%

Investment income dropped as a result of the decrease in fair value gains of Corporate Fund investments during the second quarter as compared to that of the first quarter, reflecting market movement, but was partly offset by the increase in interest income during the second quarter.

Operating expenses increased mainly as a result of higher premises expenses and the increase in staff compensation which includes performance bonus accruals on account of the improved performance of the Group in the second quarter.

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

WORKING CAPITAL

Working capital rose by \$481 million or 14 per cent to \$3,838 million as at 30 June 2006 (31 December 2005: \$3,357 million). The increase was primarily due to the profit generated during the period of \$1,108 million and proceeds from issuing shares upon the exercise of employee share options of \$24 million, which was partly offset by the payment of the 2005 final dividend of \$681 million in May 2006, and the increase in other net current assets of \$30 million.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes. As at 30 June 2006, the Group's total available banking facilities amounted to \$1,611 million (31 December 2005: \$1,608 million), of which \$1,500 million (31 December 2005: \$1,500 million) represented repurchase facilities to augment the liquidity of the Margin Funds.

Borrowings by the Group have been rare and are mostly event driven, with little seasonality. As at 30 June 2006 and 31 December 2005, the Group had no bank borrowings, and therefore had zero gearing.

The Group's capital expenditure commitments as at 30 June 2006 were mainly related to the ongoing investments in facilities and technology, and amounted to \$85 million (31 December 2005: \$137 million). The Group has adequate internal resources to fund its commitments on capital expenditures.

As at 30 June 2006, 96 per cent (31 December 2005: 99 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.

CHARGES ON ASSETS

None of the Group's assets was pledged as at 30 June 2006 and 31 December 2005.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Details of the Group's exposure to fluctuations in exchange rates and related hedges are included in note 34(a)(i) - Foreign exchange risk to the condensed consolidated accounts of this interim report.

CONTINGENT LIABILITIES

Details of contingent liabilities are disclosed in note 31 to the condensed consolidated accounts of this interim report.

EMPLOYEES

HKEx's success depends on the performance and commitment of all its employees. Our employee policies are geared towards attracting, developing and motivating talented and suitable people. HKEx offers competitive remuneration, which includes bonuses and share awards for good performers. A review of HKEx's remuneration policy and structure is being conducted by an independent consultant with the objective of introducing refinements to the Group's staff compensation structure and performance measurement system. The review is scheduled to be completed in the third quarter of 2006 and the recommendations thereof would be considered by the Board.

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

HKEx is committed to staff training and development. To ensure our employees keep up with the updated skills and knowledge, HKEx encourages and sponsors employees at all levels to participate in training and career development programmes.

As at the end of June 2006, there were 833 employees in the Group, including 44 temporary staff (31 December 2005: 804 employees, including 25 temporary staff).

CHANGES SINCE 31 DECEMBER 2005

There were no other significant changes in the Group's financial position and from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2005.

PROSPECTS

HKEx's performance in the second half of 2006 might be affected by a number of external factors. Geopolitical risks, stagflation in the US economy, escalating energy prices, the rising cost of capital due to increasing interest rates and the intensifying global competition might all have an impact on the Cash and Derivatives Markets in Hong Kong.

The valuation of the renminbi as well as the macro-economic adjustments introduced to cool the Mainland economy might have a bearing on the Mainland's economic performance. The longer term outlook for the Mainland, however, remains promising and there is sustained demand for capital on the Mainland. Given Hong Kong's unique competitive strengths, continued issuer and investor interest in listing of Mainland enterprises in Hong Kong is anticipated.

In addition to serving Mainland enterprises, HKEx will expand its international profile by allowing overseas companies particularly those incorporated in other Asian countries to list on the Stock Exchange subject to further discussions with the SFC.

HKEx remains committed to ensuring an effective regulatory regime that strengthens market integrity and investor confidence and reinforces Hong Kong's status as an international financial centre and a major capital formation centre for Mainland enterprises. Meanwhile, HKEx will also continue to focus on creating value for shareholders through further enhancing the quality of its core businesses and prudently controlling its operating costs.

Condensed Consolidated Profit and Loss Account

(Financial figures are expressed in Hong Kong Dollar)

	Note	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000	Unaudited Three months ended 30 Jun 2006 \$'000	Unaudited Three months ended 30 Jun 2005 \$'000
INCOME	2				
Trading fees and trading tariff	4	621,834	352,615	324,281	169,935
Stock Exchange listing fees	5	213,405	195,572	103,712	98,869
Clearing and settlement fees		316,655	172,427	162,035	80,786
Depository, custody and nominee services fees		218,608	133,682	177,505	100,069
Income from sale of information		183,857	162,245	98,340	83,255
Investment income	6	216,922	122,073	103,963	79,193
Other income	7	123,967	99,851	71,285	52,106
	3	1,895,248	1,238,465	1,041,121	664,213
OPERATING EXPENSES					
Staff costs and related expenses	8	323,918	282,762	164,792	141,378
Information technology and computer maintenance expenses	9	93,801	99,063	47,337	50,157
Premises expenses		57,574	39,946	30,941	20,152
Product marketing and promotion expenses		6,453	5,533	3,592	3,846
Legal and professional fees		6,629	6,592	1,782	3,699
Depreciation		50,260	85,680	25,320	41,449
Other operating expenses	10	57,853	50,942	30,197	27,162
	3	596,488	570,518	303,961	287,843
OPERATING PROFIT	3	1,298,760	667,947	737,160	376,370
SHARE OF PROFITS LESS LOSSES OF ASSOCIATES	3	9,252	8,635	6,032	6,018
PROFIT BEFORE TAXATION	3	1,308,012	676,582	743,192	382,388
TAXATION	3/11	(199,701)	(105,786)	(113,720)	(57,013)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	3/28	1,108,311	570,796	629,472	325,375
DIVIDEND	12	1,000,050	519,988	1,000,050	519,988
Basic earnings per share	13(a)	\$1.04	\$0.54	\$0.59	\$0.31
Diluted earnings per share	13(b)	\$1.03	\$0.54	\$0.58	\$0.31
Interim dividend declared per share		\$0.94	\$0.49	\$0.94	\$0.49
Dividend payout ratio		90%	91%	N/A	N/A

Condensed Consolidated Statement of Changes in Equity

(Financial figures are expressed in Hong Kong Dollar)

	Unaudited						
	Share capital, share premium and shares held for Share Award Scheme (note 24) \$'000	Employee share-based compensation reserve (note 25) \$'000	Revaluation reserves (note 26) \$'000	Hedging reserve \$'000	Designated reserves (note 27) \$'000	Retained earnings (note 28) \$'000	Total equity \$'000
At 1 Jan 2006, as previously reported	1,213,160	34,980	(37,086)	–	700,641	2,455,794	4,367,489
Effect of initial adoption of revised HKAS 27	(30,028)	–	–	–	–	10	(30,018)
At 1 Jan 2006, as restated	1,183,132	34,980	(37,086)	–	700,641	2,455,804	4,337,471
Change in valuation of leasehold buildings	–	–	52	–	–	–	52
Change in fair value of available-for-sale financial assets	–	–	12,098	–	–	–	12,098
Realisation of change in fair value of available-for-sale financial assets on maturity and disposal	–	–	5,895	–	–	–	5,895
Cash flow hedges:							
– fair value gains of hedging instruments	–	–	–	255	–	–	255
– transfer to profit and loss account as information technology and computer maintenance expenses	–	–	–	(116)	–	–	(116)
Deferred tax arising from change in valuation of leasehold buildings	–	–	(9)	–	–	–	(9)
Deferred tax arising from change in fair value of available-for-sale financial assets	–	–	14	–	–	–	14
Net gain recognised directly in equity	–	–	18,050	139	–	–	18,189
Profit attributable to shareholders	–	–	–	–	–	1,108,311	1,108,311
Total recognised profit	–	–	18,050	139	–	1,108,311	1,126,500
2005 final dividend	–	–	–	–	–	(680,588)	(680,588)
Shares issued under employee share option schemes	24,038	–	–	–	–	–	24,038
Shares purchased for Share Award Scheme	(666)	–	–	–	–	–	(666)
Employee share-based compensation benefits	–	13,730	–	–	–	–	13,730
Share of reserves of an associate	–	348	(2)	–	–	–	346
Transfer of reserves	5,473	(5,473)	–	–	(53,440)	53,440	–
At 30 Jun 2006	1,211,977	43,585	(19,038)	139	647,201	2,936,967	4,820,831

	Unaudited (As restated)					
	Share capital and share premium \$'000	Employee share-based compensation reserve \$'000	Revaluation reserves \$'000	Designated reserves \$'000	Retained earnings \$'000	Total equity \$'000
At 1 Jan 2005, as previously reported	1,160,673	17,061	18,829	680,996	2,174,584	4,052,143
Effect of initial adoption of HKAS 39 and HKFRS 4 (Amendments)	–	–	–	–	(19,909)	(19,909)
At 1 Jan 2005, as restated	1,160,673	17,061	18,829	680,996	2,154,675	4,032,234
Change in valuation of leasehold buildings	–	–	(548)	–	–	(548)
Change in fair value of available-for-sale financial assets	–	–	(68,081)	–	–	(68,081)
Realisation of change in fair value of available-for-sale financial assets on maturity and disposal	–	–	(446)	–	–	(446)
Deferred tax arising from change in valuation of leasehold buildings	–	–	96	–	–	96
Deferred tax arising from change in fair value of available-for-sale financial assets	–	–	3,169	–	–	3,169
Net loss recognised directly in equity	–	–	(65,810)	–	–	(65,810)
Profit attributable to shareholders	–	–	–	–	570,796	570,796
Total recognised (loss)/ profit	–	–	(65,810)	–	570,796	504,986
2004 final dividend	–	–	–	–	(498,217)	(498,217)
Shares issued under employee share option schemes	32,534	–	–	–	–	32,534
Employee share-based compensation benefits	–	11,345	–	–	–	11,345
Transfer of reserves	2,009	(2,009)	–	3,087	(3,087)	–
At 30 Jun 2005	1,195,216	26,397	(46,981)	684,083	2,224,167	4,082,882

Condensed Consolidated Balance Sheet

(Financial figures are expressed in Hong Kong Dollar)

	Note	Unaudited at 30 Jun 2006 \$'000	As restated Audited at 31 Dec 2005 \$'000
NON-CURRENT ASSETS			
Fixed assets	14	234,740	257,876
Investment property	15	18,700	17,700
Lease premiums for land		93,849	94,123
Investments in associates	16	65,373	64,581
Clearing House Funds	17	2,700,869	1,340,410
Compensation Fund Reserve Account	18	39,392	38,410
Time deposit with maturity over one year		38,835	38,768
Deferred tax assets		4,077	3,060
Other assets		21,759	20,374
		3,217,594	1,875,302
CURRENT ASSETS			
Accounts receivable, prepayments and deposits	19	4,978,551	3,286,835
Lease premiums for land		548	547
Taxation recoverable		226	108
Margin Funds on derivatives contracts	20	17,098,814	13,648,581
Financial assets at fair value through profit or loss	21	2,712,507	2,643,788
Time deposits with original maturities over three months		49,121	116,622
Cash and cash equivalents		2,062,256	1,359,133
		26,902,023	21,055,614
CURRENT LIABILITIES			
Margin deposits from Clearing Participants on derivatives contracts	20	17,098,814	13,648,581
Accounts payable, accruals and other liabilities	22	5,518,421	3,641,071
Financial liabilities at fair value through profit or loss	21	8,035	1,443
Participants' admission fees received		1,650	2,550
Deferred revenue		165,841	284,851
Taxation payable		244,174	92,628
Provisions	23	27,042	27,145
		23,063,977	17,698,269
NET CURRENT ASSETS		3,838,046	3,357,345
TOTAL ASSETS LESS CURRENT LIABILITIES		7,055,640	5,232,647

	Note	Unaudited at 30 Jun 2006 \$'000	As restated Audited at 31 Dec 2005 \$'000
NON-CURRENT LIABILITIES			
Participants' admission fees received		80,000	80,150
Participants' contributions to Clearing House Funds	17	2,094,598	751,751
Deferred tax liabilities		16,174	20,770
Financial guarantee contract	31(b)	19,909	19,909
Provisions	23	24,128	22,596
		2,234,809	895,176
NET ASSETS		4,820,831	4,337,471
CAPITAL AND RESERVES			
Share capital	24	1,064,853	1,062,755
Share premium	24	177,818	150,405
Shares held for Share Award Scheme	24	(30,694)	(30,028)
Employee share-based compensation reserve	25	43,585	34,980
Revaluation reserves	26	(19,038)	(37,086)
Hedging reserve		139	–
Designated reserves	27	647,201	700,641
Retained earnings	28	1,936,917	1,776,254
Proposed/declared dividends	28	1,000,050	679,550
SHAREHOLDERS' FUNDS		4,820,831	4,337,471

Condensed Consolidated Cash Flow Statement

(Financial figures are expressed in Hong Kong Dollar)

	Note	Unaudited Six months ended 30 Jun 2006 \$'000	Unaudited Six months ended 30 Jun 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash inflow from operating activities	29(a)	1,239,895	693,756
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of fixed assets		(40,823)	(13,461)
Proceeds from sales of fixed assets		338	1
Payments for acquisition of interest of an associate		–	(24,876)
Proceeds from liquidation of an associate		1,312	–
Dividends received from an associate		12,784	4,800
Decrease/(increase) in time deposits with original maturities more than three months		67,434	(207,929)
Interest received from available-for-sale financial assets		76,923	39,385
Net cash inflow/(outflow) from investing activities		117,968	(202,080)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares under employee share option schemes		24,038	32,534
Purchase of shares for Share Award Scheme		(666)	–
Admission fees refunded to less receipts from Participants		(1,050)	(2,250)
Dividends paid		(677,062)	(498,217)
Net cash outflow from financing activities		(654,740)	(467,933)
Net increase in cash and cash equivalents		703,123	23,743
Cash and cash equivalents at 31 Dec 2005, as previously reported/31 Dec 2004		1,359,113	1,035,045
Effect of initial adoption of revised HKAS 27		20	–
Cash and cash equivalents at 30 Jun 2006/30 Jun 2005		2,062,256	1,058,788
Analysis of cash and cash equivalents			
Time deposits with original maturities within three months		1,760,234	929,961
Cash at bank and in hand		302,022	128,827
Cash and cash equivalents at 30 Jun 2006/30 Jun 2005		2,062,256	1,058,788

Notes to the Condensed Consolidated Accounts (Unaudited)

(Financial figures are expressed in Hong Kong Dollar)

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited condensed consolidated accounts should be read in conjunction with the 2005 annual accounts.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2005 except that the Group has adopted the revised HKAS 27 – Consolidated and Separate Financial Statements, which is effective for accounting periods beginning on or after 1 January 2006.

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the consolidation of special purpose entities (including trusts) of the Group. Trusts could not be consolidated under the previous HKAS 27 prior to 2006 as they were not considered as subsidiaries under the Hong Kong Companies Ordinance. The Companies (Amendment) Ordinance 2005, effective for accounting periods beginning on or after 1 January 2006, has removed the legal constraint that prevented a Hong Kong incorporated company from consolidating in its group accounts special purpose entities (including trusts) that are required to be consolidated under Hong Kong Financial Reporting Standards (“HKFRSs”) but did not meet the legal definition of a subsidiary under the then Hong Kong Companies Ordinance, and HKAS 27 has been revised accordingly.

In 2005, the Board of HKEx approved an Employees’ Share Award Scheme (“Share Award Scheme”), under which shares of HKEx (“Awarded Shares”) may be awarded to an Executive Director and employees of the Group. The Group has set up a trust, The HKEx Employees’ Share Award Scheme (“HKEx Employee Share Trust”), for the purpose of administering the Share Award Scheme and holding the Awarded Shares before they vest. As HKEx has the power to govern the financial and operating policies of the HKEx Employee Share Trust and derive benefits from the contributions of the employees who have been awarded the Awarded Shares through their continued employment with the Group, the Group is required to consolidate the HKEx Employee Share Trust under the revised HKAS 27 in 2006.

1. Basis of Preparation and Accounting Policies *(Continued)*

The effects of adopting the revised HKAS 27 on the condensed consolidated profit and loss account for the six months ended 30 June 2006 and six months ended 30 June 2005 were as follows:

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000
Increase in staff costs and related expenses	9	–
Total decrease in profit	9	–
Decrease in earnings per share	0.00 cents	–

The effects of adopting the revised HKAS 27 on the condensed consolidated balance sheet as at 30 June 2006 and 31 December 2005 were as follows:

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Increase/(decrease) in assets		
Contributions to Share Award Scheme	(30,093)	(30,037)
Cash and cash equivalents	20	20
Increase/(decrease) in liabilities/equity		
Accounts payable, accruals and other liabilities	5	1
Shares held for Share Award Scheme	(30,694)	(30,028)
Retained earnings	616	10

Following the adoption of the revised HKAS 27, the accounting policies of the Group have been revised as follows:

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a holding of more than one half of the voting rights or issued share capital.

(b) Shares held for Share Award Scheme

Where the HKEx Employee Share Trust purchases shares issued by HKEx, the consideration paid, including any directly attributable incremental costs, is presented as “Shares held for Share Award Scheme” and deducted from total equity.

1. Basis of Preparation and Accounting Policies *(Continued)*

(c) Dividends

Dividends disclosed in the consolidated profit and loss account represent interim dividend paid and final and special dividends proposed/declared for the year (based on the issued share capital less the number of shares held for the Share Award Scheme as at the balance sheet date).

Dividends declared are recognised as liabilities in the Group's accounts in the year the dividends are approved by the shareholders.

Further, as disclosed in the 2005 annual accounts, the Group adopted HKAS 39 and HKFRS 4 (Amendments): Financial Guarantee Contracts in the fourth quarter of 2005. The adoption of the Amendments had the following impact on equity as at 30 June 2005:

	\$'000
Decrease in equity	
Retained earnings	<u>(19,909)</u>

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

2. Turnover

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

3. Segment Information

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

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

	Six months ended 30 Jun 2005				
	Cash Market \$'000	Derivatives Market \$'000	Clearing Business \$'000	Information Services \$'000	Group \$'000
Income	530,107	197,041	348,067	163,250	1,238,465
Operating expenses					
Direct costs	213,826	57,119	151,786	23,613	446,344
Indirect costs	56,760	17,695	38,805	10,914	124,174
	270,586	74,814	190,591	34,527	570,518
Segment results	259,521	122,227	157,476	128,723	667,947
Share of profits less losses of associates	(21)	–	8,656	–	8,635
Segment profits before taxation	259,500	122,227	166,132	128,723	676,582
Taxation					(105,786)
Profit attributable to shareholders					570,796

3. Segment Information *(Continued)*

The **Cash Market** business mainly refers to the operations of the Stock Exchange, which covers all products traded on the Cash Market platforms, such as equities, debt securities, unit trusts, callable bull/ bear contracts, warrants and rights. Currently, the Group operates two Cash Market platforms, the Main Board and the Growth Enterprise Market (“GEM”). The major sources of income of the business are trading fees, trading tariff and listing fees. Costs of the Listing Function are treated as segment costs under the Cash Market. Costs of the Listing Function are further explained in note 5.

The **Derivatives Market** business refers to the derivatives products traded on the Futures Exchange and stock options traded on the Stock Exchange, which includes the provision and maintenance of trading platforms for a range of derivatives products, such as equity and interest rate futures and options. Its income mainly comprises trading fees and investment income on the Margin Funds invested.

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

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

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

4. Trading Fees and Trading Tariff

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Trading fees and trading tariff were derived from:				
Securities traded on the Cash Market	448,962	234,760	232,872	111,017
Derivatives contracts traded on the Derivatives Market	172,872	117,855	91,409	58,918
	621,834	352,615	324,281	169,935

5. Stock Exchange Listing Fees

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

	Six months ended 30 Jun 2006				Six months ended 30 Jun 2005			
	Equity		Debt & Derivatives		Equity		Debt & Derivatives	
	Main Board \$'000	GEM \$'000	Derivatives \$'000	Total \$'000	Main Board \$'000	GEM \$'000	Derivatives \$'000	Total \$'000
Income								
Annual listing fees	121,371	12,413	870	134,654	117,501	12,929	926	131,356
Initial and subsequent issue listing fees	17,801	2,430	55,690	75,921	22,782	2,520	35,092	60,394
Prospectus vetting fees	1,230	240	60	1,530	1,185	165	110	1,460
Other listing fees	860	440	-	1,300	1,816	546	-	2,362
Total income	141,262	15,523	56,620	213,405	143,284	16,160	36,128	195,572
Costs of Listing Function								
<i>Direct costs</i>								
Staff costs and related expenses	57,196	15,429	2,915	75,540	48,125	12,908	2,609	63,642
Information technology and computer maintenance expenses	943	248	-	1,191	772	216	-	988
Premises expenses	6,902	1,842	407	9,151	3,210	859	185	4,254
Legal and professional fees	3,018	492	-	3,510	1,635	757	1	2,393
Depreciation	2,093	636	29	2,758	3,718	1,063	142	4,923
Other operating expenses	10,408	2,607	132	13,147	10,841	2,830	96	13,767
Total direct costs	80,560	21,254	3,483	105,297	68,301	18,633	3,033	89,967
<i>Total indirect costs</i>	13,448	2,885	2,170	18,503	13,786	2,677	2,018	18,481
Contribution	47,254	(8,616)	50,967	89,605	61,197	(5,150)	31,077	87,124

5. Stock Exchange Listing Fees (Continued)

	Three months ended 30 Jun 2006				Three months ended 30 Jun 2005			
	Equity		Debt & Derivatives \$'000	Total \$'000	Equity		Debt & Derivatives \$'000	Total \$'000
	Main Board \$'000	GEM \$'000			Main Board \$'000	GEM \$'000		
Income								
Annual listing fees	61,225	6,217	437	67,879	59,050	6,450	466	65,966
Initial and subsequent issue listing fees	6,504	1,150	26,727	34,381	10,716	1,180	18,700	30,596
Prospectus vetting fees	645	105	50	800	770	105	20	895
Other listing fees	318	334	–	652	1,126	286	–	1,412
Total income	68,692	7,806	27,214	103,712	71,662	8,021	19,186	98,869
Costs of Listing Function								
<i>Direct costs</i>								
Staff costs and related expenses	29,297	7,207	1,532	38,036	24,482	6,485	1,306	32,273
Information technology and computer maintenance expenses	579	153	–	732	401	123	–	524
Premises expenses	3,890	953	237	5,080	1,616	422	87	2,125
Legal and professional fees	399	252	–	651	1,174	332	1	1,507
Depreciation	952	282	15	1,249	1,804	509	62	2,375
Other operating expenses	5,021	1,107	39	6,167	5,445	1,503	24	6,972
Total direct costs	40,138	9,954	1,823	51,915	34,922	9,374	1,480	45,776
<i>Total indirect costs</i>	6,916	1,417	1,091	9,424	6,999	1,345	1,064	9,408
Contribution	21,638	(3,565)	24,300	42,373	29,741	(2,698)	16,642	43,685

Listing fee income is fees paid by issuers to enable them to gain access to the Stock Exchange and enjoy the privileges and facilities by being admitted, listed and traded on the Stock Exchange.

The direct costs listed above are regulatory in nature, which comprise costs of the Listing Function on vetting Initial Public Offerings (“IPOs”) and enforcing the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and disseminating information relating to listed companies. Indirect costs comprise costs of support services and other central overheads attributable to the Listing Function.

6. Investment Income

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Interest income				
– bank deposits	279,615	68,571	148,697	48,501
– listed available-for-sale financial assets	8,203	4,898	4,824	3,287
– unlisted available-for-sale financial assets	68,720	34,487	49,102	16,189
	356,538	107,956	202,623	67,977
Interest expenses (note a)	(206,661)	(19,234)	(116,271)	(16,330)
Net interest income	149,877	88,722	86,352	51,647
Net realised and unrealised gains/(losses) and interest income on financial assets and financial liabilities at fair value through profit or loss				
<u>On designation</u>				
– bank deposits with embedded derivatives	–	266	–	–
<u>Held for trading</u>				
– listed securities	38,820	36,450	(1,754)	25,860
– unlisted securities	17,629	3,861	9,995	12,655
– exchange differences	6,791	(9,698)	6,756	(12,321)
	63,240	30,613	14,997	26,194
	63,240	30,879	14,997	26,194
Dividend income				
– listed financial assets at fair value through profit or loss	3,678	3,411	2,567	2,430
Other exchange differences on loans and receivables	127	(939)	47	(1,078)
Total investment income	216,922	122,073	103,963	79,193
Total investment income was derived from:				
Corporate Funds (note b)	99,532	42,343	35,721	33,975
Margin Funds	94,172	69,153	55,853	38,518
Clearing House Funds	23,218	10,577	12,389	6,700
	216,922	122,073	103,963	79,193

- (a) The significant increase in interest expenses was mainly attributable to the increase in Margin Fund size, rising interest rates and a change in the benchmarked interest rate payable on cash margin deposits from 1 June 2005 onwards. In 2006, interest was paid on cash margin deposits based on the savings rate. Prior to 1 June 2005, interest was not always paid to the Participants as the interest rates payable on the cash margin deposits were often lower than the retention interest rates charged by HKCC and SEOCH on such cash margin deposits.

6. Investment Income *(Continued)*

- (b) Investment income derived from Corporate Funds included investment income of Compensation Fund Reserve Account of \$972,000 (2005: \$498,000) and \$517,000 (2005: \$312,000) for the six months and three months ended 30 June 2006 respectively.

7. Other Income

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Network, terminal user, dataline and software sub-license fees	77,928	66,134	42,730	35,196
Participants' subscription and application fees	17,016	17,282	8,501	8,576
Brokerage on direct IPO applications	17,104	6,188	13,840	1,523
Trading booth user fees	4,371	–	2,391	–
Fair value gain of an investment property (note 15)	1,000	2,600	400	2,600
Accommodation income on cash margin deposits in non-contract settlement currencies and securities deposited by Participants as alternatives to cash deposits of the Margin Funds	820	1,494	462	784
Miscellaneous income	5,728	6,153	2,961	3,427
	123,967	99,851	71,285	52,106

8. Staff Costs and Related Expenses

Staff costs and related expenses comprised the following:

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Salaries and other short-term employee benefits	283,921	246,140	145,327	122,750
Employee share-based compensation benefits (note 25)	13,730	11,345	6,510	5,985
Termination benefits	160	–	–	–
Retirement benefit costs (note a):				
– ORSO Plan	25,934	25,144	12,874	12,574
– MPF Scheme	173	133	81	69
	323,918	282,762	164,792	141,378

8. Staff Costs and Related Expenses (Continued)

- (a) The Group has sponsored two defined contribution post-retirement benefit plans – the Hong Kong Exchanges and Clearing Provident Fund Scheme (“ORSO Plan”) and the AIA-JF Premium MPF Scheme (“MPF Scheme”). The retirement benefit costs charged to the condensed consolidated profit and loss account represent contributions paid and payable by the Group to the ORSO Plan and the MPF Scheme and related fees. No contribution payable was outstanding as at 30 June 2006 and 31 December 2005.

9. Information Technology and Computer Maintenance Expenses

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Costs of services and goods:				
– consumed by the Group	65,470	72,827	33,023	36,096
– directly consumed by Participants	28,331	26,236	14,314	14,061
	93,801	99,063	47,337	50,157

10. Other Operating Expenses

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Provision for/(reversal of provision for) impairment losses of trade receivables	412	(372)	297	68
Insurance	8,056	8,202	4,049	4,104
Financial data subscription fees	2,237	2,757	1,098	1,198
Custodian and fund management fees	4,145	3,891	2,126	1,948
Bank charges	4,774	1,788	2,795	1,043
Repair and maintenance expenses	4,285	3,774	2,593	2,012
Other miscellaneous expenses	33,944	30,902	17,239	16,789
	57,853	50,942	30,197	27,162

11. Taxation

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

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Provision for Hong Kong Profits Tax for the period (note a)	205,309	114,849	116,204	62,225
Deferred taxation	(5,608)	(9,063)	(2,484)	(5,212)
	199,701	105,786	113,720	57,013

- (a) Hong Kong Profits Tax has been provided for at 17.5 per cent (2005: 17.5 per cent) on the estimated assessable profit for the period.

12. Dividend

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Interim dividend declared of \$0.94 (2005: \$0.49) per ordinary share based on issued share capital as at balance sheet date (note a)	1,000,962	519,988	1,000,962	519,988
Less: Dividend for shares held by HKEx Employee Share Trust	(912)	–	(912)	–
	1,000,050	519,988	1,000,050	519,988

- (a) Actual 2005 interim dividend paid was \$520,567,000, of which \$579,000 was paid on shares issued for employee share options exercised after 30 June 2005.

13. Earnings Per Share

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

- (a) Basic earnings per share

	Six months ended 30 Jun 2006	Six months ended 30 Jun 2005	Three months ended 30 Jun 2006	Three months ended 30 Jun 2005
Profit attributable to shareholders (\$'000)	1,108,311	570,796	629,472	325,375
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme	1,062,829,246	1,058,595,023	1,063,538,851	1,060,247,198
Basic earnings per share	\$1.04	\$0.54	\$0.59	\$0.31

13. Earnings Per Share (Continued)

(b) Diluted earnings per share

	Six months ended 30 Jun 2006	Six months ended 30 Jun 2005	Three months ended 30 Jun 2006	Three months ended 30 Jun 2005
Profit attributable to shareholders (\$'000)	1,108,311	570,796	629,472	325,375
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme	1,062,829,246	1,058,595,023	1,063,538,851	1,060,247,198
Effect of employee share options	11,255,801	5,713,196	11,584,907	4,582,829
Effect of Awarded Shares	957,434	–	955,590	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,075,042,481	1,064,308,219	1,076,079,348	1,064,830,027
Diluted earnings per share	\$1.03	\$0.54	\$0.58	\$0.31

14. Fixed Assets

The total cost of additions to fixed assets of the Group during the six months to 30 June 2006 was \$28,022,000 (2005: \$14,064,000) which mainly represented costs incurred in the renovation of the Trading Hall and the Exhibition Hall (2005: mainly related to purchase of computer systems, hardware and software). The total cost and net book value of disposals and write-offs of fixed assets during the six months to 30 June 2006 were \$19,674,000 and \$1,012,000 respectively (2005: \$1,375,000 and \$1,000 respectively).

The Group's leasehold buildings included in fixed assets were revalued as at 30 June 2006 on the basis of their depreciated replacement costs calculated by Jones Lang LaSalle, an independent firm of qualified property valuers. A revaluation gain of \$43,000 (\$52,000 net of applicable deferred taxes of \$9,000) was credited to the leasehold buildings revaluation reserve during the six months ended 30 June 2006 (note 26), and a revaluation gain of \$62,000 was credited to other income in the condensed consolidated profit and loss account to offset previous impairment losses charged to the profit and loss account. For the six months ended 30 June 2005, a revaluation deficit of \$452,000 (\$548,000 net of applicable deferred taxes of \$96,000) was charged to the leasehold buildings revaluation reserve.

15. Investment Property

The Group's investment property was revalued as at 30 June 2006 on the basis of its open market value by Jones Lang LaSalle, an independent firm of qualified property valuers. The fair value gain during the six months ended 30 June 2006 of \$1,000,000 (2005: \$2,600,000) was credited to the condensed consolidated profit and loss account under other income (note 7).

16. Investments in Associates

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Share of net assets of associates	15,166	14,374
Goodwill (note a)	50,207	50,207
	65,373	64,581

(a) Goodwill

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
At 1 Jan	50,207	24,941
Further acquisition of 6% interest in Computershare Hong Kong Investor Services Limited on 3 May 2005	–	25,266
At 30 Jun 2006/31 Dec 2005	50,207	50,207
Represented by:		
Opening value upon adoption of HKFRS 3	24,941	25,321
Cost	25,266	25,266
Accumulated impairment	–	(380)
	50,207	50,207

(b) Details of the unlisted associates as at 30 June 2006 were as follows:

Name	Place of incorporation	Principal activities	Particulars of shares held	Interest held
Computershare Hong Kong Investor Services Limited (“CHIS”)	Hong Kong	Provision of share registration services	7,317 Class A ordinary shares	30%
ADP Wilco Processing Services Limited (in liquidation) (“AWPS”)	Hong Kong	Provision of transaction processing services to Stock Exchange Participants	6 Class B ordinary shares	30%

AWPS has an accounting year end of 30 June, which is not coterminous with the Group’s accounting year end. In March 2006, the Group received liquidation proceeds of \$1,312,000 from the dissolution of AWPS which were marginally higher than the book value of the investment. The gain on liquidation of \$6,000 was credited to other income in the condensed consolidated profit and loss account. AWPS was officially dissolved in July 2006.

17. Clearing House Funds

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Net assets of the Clearing House Funds were as follows:		
HKSCC Guarantee Fund	340,369	342,679
SEOCH Reserve Fund	493,582	376,758
HKCC Reserve Fund	1,866,918	620,973
	2,700,869	1,340,410
Net assets of the Clearing House Funds were composed of:		
Available-for-sale financial assets, at fair value		
– listed debt securities	130,696	98,896
– unlisted debt securities	185,119	125,241
Time deposits with original maturities over three months	–	30,290
Cash and cash equivalents	2,385,754	1,091,233
	2,701,569	1,345,660
Less: Other liabilities	(700)	(5,250)
	2,700,869	1,340,410
The Clearing House Funds were funded by:		
Clearing Participants' cash contributions (note a)	2,094,598	751,751
Designated reserves (note 27):		
– Clearing houses' contributions	320,200	320,200
– Forfeiture of a defaulted Clearing Participant's contributions	1,928	1,928
– Accumulated investment income net of expenses attributable to:		
– Clearing Participants' contributions	217,438	204,213
– Clearing houses' contributions	68,243	63,635
	607,809	589,976
Revaluation reserve (note 26(b))	(1,538)	(1,317)
	2,700,869	1,340,410
The maturity profile of the net assets of the Clearing House Funds was as follows:		
Amounts maturing after more than twelve months	–	98,896
Amounts maturing within twelve months	2,700,869	1,241,514
	2,700,869	1,340,410

- (a) Amount included Participants' additional deposits of \$1,731,498,000 (31 December 2005: \$393,701,000).

17. Clearing House Funds *(Continued)*

- (b) The HKSCC Guarantee Fund provides resources to enable HKSCC to discharge the liabilities and obligations of defaulting Broker Participants in Central Clearing and Settlement System (“CCASS”) arising from their Stock Exchange trades accepted for settlement on the Continuous Net Settlement (“CNS”) basis and defective securities deposited into CCASS. The SEOCH Reserve Fund and the HKCC Reserve Fund were established for the exclusive purpose of supporting SEOCH and HKCC to fulfil their counterparty obligations in the event that one or more of their Clearing Participants fail to meet their obligations to SEOCH and HKCC respectively.

18. Compensation Fund Reserve Account

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Net assets of the Compensation Fund Reserve Account were composed of:		
Available-for-sale financial assets, at fair value	–	18,488
– unlisted debt securities	49,786	30,240
Cash and cash equivalents	49,786	48,728
	(10,394)	(10,318)
Less: Other liabilities	39,392	38,410
The Fund represented:		
Accumulated investment and other income net of expenses included in designated reserves (note 27)	39,392	38,420
Revaluation reserve (note 26(b))	–	(10)
	39,392	38,410
The maturity profile of the net assets of the Compensation Fund Reserve Account was as follows:		
Amounts maturing within twelve months	39,392	38,410

The Securities and Futures Commission (“SFC”) is responsible for maintaining the Unified Exchange Compensation Fund (“Compensation Fund”). By virtue of Schedule 10 of the Securities and Futures Ordinance (“SFO”), the Stock Exchange’s obligation under the repealed Securities Ordinance (“SO”) to deposit with the SFC and keep deposited \$50,000 in respect of each Stock Exchange Trading Right in the Compensation Fund remains. The Stock Exchange maintains an account known as the Compensation Fund Reserve Account for all receipts and payments in relation to the Compensation Fund under the Rules of the Exchange, in particular the following:

- (i) The interest received from the SFC on the statutory deposits paid in respect of each Stock Exchange Trading Right into the Compensation Fund maintained by the SFC;
- (ii) Amounts received or paid out in relation to each of the Stock Exchange Trading Rights granted or revoked by the Stock Exchange respectively; and
- (iii) Amounts reserved for the replenishment to the Compensation Fund.

The Compensation Fund is further explained in note 31(a).

19. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits amounted to \$4,978,551,000 (31 December 2005: \$3,286,835,000). These mainly represented the Group's CNS money obligations receivable under the T+2 settlement cycle, which accounted for 92 per cent (31 December 2005: 88 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.

20. Margin Funds on Derivatives Contracts

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
The Margin Funds comprised:		
SEOCH Clearing Participants' Margin Funds	1,384,046	1,506,962
HKCC Clearing Participants' Margin Funds	15,714,768	12,141,619
	17,098,814	13,648,581
The net assets of the Margin Funds comprised:		
Available-for-sale financial assets, at fair value		
– listed debt securities	510,028	438,542
– unlisted debt securities	6,945,916	3,390,291
Time deposits with original maturities over three months	56,348	100,018
Cash and cash equivalents	10,200,506	9,686,026
Margin receivable from Clearing Participants	11,183	33,704
	17,723,981	13,648,581
Less: Other liabilities	(625,167)	–
	17,098,814	13,648,581
The Group's liabilities in respect of the Margin Funds were as follows:		
Margin deposits from SEOCH and HKCC Participants on derivatives contracts	17,098,814	13,648,581
The maturity profile of the net assets of Margin Funds was as follows:		
Amounts maturing after more than twelve months	235,000	1,114,326
Amounts maturing within twelve months	16,863,814	12,534,255
	17,098,814	13,648,581

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

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Analysis of financial assets at fair value through profit or loss:		
<i>Held for trading</i>		
Equity securities, at fair value		
– listed in Hong Kong	140,580	139,220
– listed outside Hong Kong	135,805	173,349
	276,385	312,569
<i>Held for trading</i>		
Debt securities, at fair value		
– listed in Hong Kong	58,316	86,509
– listed outside Hong Kong	1,206,900	1,070,100
– unlisted	1,170,260	1,172,015
	2,435,476	2,328,624
<i>Held for trading</i>		
Derivative financial instruments, at fair value		
– forward foreign exchange contracts	646	2,595
	2,712,507	2,643,788
Analysis of financial liabilities at fair value through profit or loss:		
<i>Held for trading</i>		
Derivative financial instruments, at fair value		
– forward foreign exchange contracts	8,035	1,443

22. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities amounted to \$5,518,421,000 (31 December 2005: \$3,641,071,000, as restated). These mainly represented the Group's CNS money obligations payable under the T+2 settlement cycle, which accounted for 83 per cent (31 December 2005: 79 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.

23. Provisions

	Reinstatement costs \$'000	Employee benefit costs \$'000	Total \$'000
At 1 Jan 2006	24,128	25,613	49,741
Provision for the period	1,850	18,985	20,835
Amount used during the period	(1,850)	(16,820)	(18,670)
Amount paid during the period	–	(736)	(736)
At 30 Jun 2006	24,128	27,042	51,170

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Analysis of provisions:		
Current	27,042	27,145
Non-current	24,128	22,596
	51,170	49,741

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

			At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000	
Authorised: 2,000,000,000 shares of \$1 each			2,000,000	2,000,000	
Issued and fully paid:					
	Number of shares of \$1 each	Share capital \$'000	Share premium \$'000	Shares held for Share Award Scheme (note b) \$'000	Total \$'000
At 1 Jan 2005	1,056,638,846	1,056,639	104,034	–	1,160,673
Shares issued under employee share option schemes (note a)	6,116,000	6,116	41,263	–	47,379
Transfer from employee share-based compensation reserve (note 25)	–	–	5,108	–	5,108
Shares purchased for Share Award Scheme	(958,000)	–	–	(30,028)	(30,028)
At 31 Dec 2005, as restated	1,061,796,846	1,062,755	150,405	(30,028)	1,183,132
At 1 Jan 2006, as previously reported	1,062,754,846	1,062,755	150,405	–	1,213,160
Initial adoption of revised HKAS 27	(958,000)	–	–	(30,028)	(30,028)
At 1 Jan 2006, as restated	1,061,796,846	1,062,755	150,405	(30,028)	1,183,132
Shares issued under employee share option schemes (note a)	2,098,500	2,098	21,940	–	24,038
Transfer from employee share-based compensation reserve (note 25)	–	–	5,473	–	5,473
Shares purchased for Share Award Scheme	(12,000)	–	–	(666)	(666)
At 30 Jun 2006	1,063,883,346	1,064,853	177,818	(30,694)	1,211,977

24. Share Capital, Share Premium and Shares Held for Share Award Scheme *(Continued)*

- (a) During the period, employee share options granted under the Pre-Listing Share Option Scheme (“Pre-Listing Scheme”) and the Post-Listing Share Option Scheme (“Post-Listing Scheme”) were exercised to subscribe for 2,098,500 shares (year ended 31 December 2005: 6,116,000 shares) in HKEx at an average consideration of \$11.45 per share (year ended 31 December 2005: \$7.75 per share), of which \$1.00 per share was credited to share capital and the balance was credited to the share premium account.
- (b) During the period, the HKEx Employee Share Trust acquired 12,000 HKEx shares (year ended 31 December 2005: 958,000 shares) through purchases on the open market and held the shares for the Share Award Scheme (note 25(c)). The total amount paid to acquire the shares during the period was \$666,000 (year ended 31 December 2005: \$30,028,000) and has been deducted from shareholders’ equity.

25. Employee Share-based Compensation Reserve

	2006 \$'000	2005 \$'000
At 1 Jan	34,980	17,061
Employee share-based compensation benefits (note a)	13,730	22,955
Transfer to share premium upon exercise of employee share options (note 24)	(5,473)	(5,108)
Share of reserve of an associate	348	72
At 30 Jun 2006/31 Dec 2005	43,585	34,980

- (a) Employee share-based compensation benefits represent the fair value of employee services estimated to be received in exchange for the grant of the relevant options and Awarded Shares over the relevant vesting periods, the total of which is based on the fair value of the options and Awarded Shares at grant date. The amount for each period is determined by spreading the fair value of the options and Awarded Shares over the relevant vesting periods and is recognised as staff costs and related expenses (note 8) with a corresponding increase in the employee share-based compensation reserve.

25. Employee Share-based Compensation Reserve (Continued)**(b) Share options**

- (i) Share options were granted to an Executive Director and employees of the Group to subscribe for shares in HKEx in accordance with the terms and conditions of the Share Option Schemes approved by the shareholders of HKEx at an extraordinary general meeting held on 31 May 2000. Share options granted are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of grant, providing that the grantees remain under the employ of the Group. The vested share options are exercisable within ten years of the grant date.

During 2005, options for the subscription of 5,884,000 shares were granted under the Post-Listing Scheme to a number of employees on 26 January 2005 which are exercisable between 26 January 2007 and 25 January 2015 at an exercise price of \$19.25 per share.

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

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

	Six months ended 30 Jun 2006		Year ended 31 Dec 2005	
	Average exercise price per share \$	Number of shares issuable under options granted	Average exercise price per share \$	Number of shares issuable under options granted
Pre-Listing Scheme				
Outstanding at 1 Jan	6.88	2,126,000	6.88	6,680,000
Exercised	6.88	(1,150,000)	6.88	(4,554,000)
Outstanding at 30 Jun 2006/ 31 Dec 2005	6.88	976,000	6.88	2,126,000
Post-Listing Scheme				
Outstanding at 1 Jan	15.80	16,574,000	13.78	13,218,000
Granted	–	–	19.25	5,884,000
Exercised	17.00	(948,500)	10.27	(1,562,000)
Forfeited	18.12	(214,000)	18.05	(966,000)
Outstanding at 30 Jun 2006/ 31 Dec 2005	15.70	15,411,500	15.80	16,574,000
Total	15.17	16,387,500	14.79	18,700,000

25. Employee Share-based Compensation Reserve *(Continued)*

(b) Share options *(Continued)*

- (iii) Had all the outstanding employee share options been fully exercised on 30 June 2006, the Group would have received \$248,637,000 in proceeds. The market value of the shares issued based on the closing price of \$49.95 per share on that date would have been \$818,556,000. The theoretical gains made by the employees or Executive Director concerned would have been as follows:

	Number of shares issuable under options granted at 30 Jun 2006	Exercise price \$	Gain per share \$	Aggregate gain \$'000
Pre-Listing Scheme				
– granted to employees on 20 Jun 2000	976,000	6.88	43.07	42,037
Post-Listing Scheme				
– granted to an Executive Director on 2 May 2003	2,460,000	8.28	41.67	102,508
– granted to an employee on 14 Aug 2003	844,000	12.45	37.50	31,650
– granted to an employee on 18 Aug 2003	1,476,000	12.49	37.46	55,291
– granted to an employee on 15 Jan 2004	822,000	17.30	32.65	26,838
– granted to employees on 31 Mar 2004	4,341,500	16.96	32.99	143,226
– granted to an employee on 17 May 2004	150,000	15.91	34.04	5,106
– granted to employees on 26 Jan 2005	5,318,000	19.25	30.70	163,263
				569,919

(c) Awarded Shares

- (i) On 14 September 2005, the Board of HKEx approved the Share Award Scheme under which Awarded Shares may be awarded to an Executive Director and employees of the Group in accordance with the terms and conditions of the Share Award Scheme. Awarded Shares awarded and the income derived therefrom are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of award, providing that the awardees remain under the employ of the Group.

Pursuant to the rules of the Share Award Scheme, upon awarding of the Awarded Shares, the number of HKEx shares awarded will be acquired from the market at the cost of HKEx by the trustee of the HKEx Employee Share Trust, which has been set up for the purpose of administering the Share Award Scheme. Dividends on the Awarded Shares are used to acquire further HKEx shares and allocated to the awardees on a pro rata basis. The Awarded Shares will be held by the trustee until the end of each vesting period.

960,000 Awarded Shares were awarded in 2005 to a number of employees which will be transferred to the employees at nil consideration upon vesting between 19 December 2007 and 19 December 2010. In 2006, 10,000 shares were acquired through reinvesting dividends received, of which 9,803 shares have been allocated to awardees.

25. Employee Share-based Compensation Reserve *(Continued)*(c) Awarded Shares *(Continued)*

- (ii) Movements in the number of Awarded Shares awarded and their related average fair value were as follows:

	Six months ended 30 Jun 2006		Year ended 31 Dec 2005	
	Average fair value per share \$	Number of Awarded Shares awarded	Average fair value per share \$	Number of Awarded Shares awarded
Outstanding at 1 Jan	31.20	960,000	–	–
Awarded	–	–	31.20	960,000
Dividends reinvested and allocated to awardees	N/A	9,803	–	–
Forfeited	31.20	(12,700)	–	–
Outstanding at 30 Jun 2006/ 31 Dec 2005	31.20	957,103	31.20	960,000

The fair value of the Awarded Shares awarded was based on the fair value (i.e. market value) of HKEx shares at award date, taking into account the expected dividends during the vesting periods.

- (iii) As at 30 June 2006, 12,897 shares (12,700 forfeited shares and 197 shares acquired through reinvesting dividends derived therefrom) were held by the HKEx Employee Share Trust and would be allocated to awardees in future (31 December 2005: Nil).
- (iv) Had all the outstanding Awarded Shares been fully vested on 30 June 2006, the theoretical gains of the employees based on the closing price of \$49.95 per share on that date would have been \$47,807,000.

26. Revaluation Reserves

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Leasehold buildings revaluation reserve	2,268	2,225
Investment revaluation reserve (note b and note c)	(21,306)	(39,311)
	(19,038)	(37,086)

- (a) The revaluation reserves are segregated for their respective specific purposes and are stated net of applicable deferred taxes.
- (b) Included gross investment revaluation deficits of \$1,538,000 and \$Nil which were attributable to investments of the Clearing House Funds and the Compensation Fund Reserve Account respectively (31 December 2005: \$1,317,000 and \$10,000 respectively). The revaluation deficit is not expected to have any impact to the Group's profit and loss account as the available-for-sale financial assets are expected to be held till maturity and the deficit will gradually reduce to zero.
- (c) Included share of investment revaluation reserve of an associate of \$19,000 (31 December 2005: \$21,000).

27. Designated Reserves

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Clearing House Funds reserves		
– HKSCC Guarantee Fund reserve	253,222	250,444
– SEOCH Reserve Fund reserve	63,400	56,346
– HKCC Reserve Fund reserve	291,187	283,186
	607,809	589,976
Compensation Fund Reserve Account reserve	39,392	38,420
Development reserve (note b)	–	72,245
	647,201	700,641

- (a) These reserves are segregated for their respective purposes.
- (b) Development reserve was set aside for systems development for the Stock Exchange and the betterment of the securities market. During the six months ended 30 June 2006, \$72,245,000 (2005: \$3,221,000) of the reserve was utilised and transferred to the Group's retained earnings (note 28) for funding projects that were for the betterment of the securities market.

28. Retained Earnings (Including Proposed/Declared Dividends)

	2006 \$'000	As restated 2005 \$'000
At 1 Jan, as previously reported		
Retained earnings	1,775,631	1,658,055
Proposed/declared dividends	680,163	496,620
	2,455,794	2,154,675
Effect of initial adoption of revised HKAS 27	10	–
At 1 Jan, as restated	2,455,804	2,154,675
Profit for the period/year (note a)	1,108,311	1,339,558
Surplus of investment income net of expenses of Clearing House Funds for the period/year transferred to Clearing House Funds reserves	(17,833)	(29,350)
Investment and other income net of expenses of Compensation Fund Reserve Account for the period/year transferred to Compensation Fund Reserve Account reserve	(972)	(1,303)
Transfer from Development reserve	72,245	11,008
	53,440	(19,645)
Dividends:		
2005/2004 final dividend	(679,550)	(496,620)
Dividend on shares issued for employee share options exercised after 31 Dec 2005/31 Dec 2004	(1,038)	(1,597)
	(680,588)	(498,217)
2005 interim dividend	–	(519,988)
Dividend on shares issued for employee share options exercised after 30 Jun 2005	–	(579)
	–	(520,567)
At 30 Jun 2006/31 Dec 2005	2,936,967	2,455,804
Representing:		
Retained earnings	1,936,917	1,776,254
Proposed/declared dividends	1,000,050	679,550
At 30 Jun 2006/31 Dec 2005	2,936,967	2,455,804

- (a) The Group's profit for the period/year included a net profit attributable to investment and other income net of expenses after taxation of the Clearing House Funds and Compensation Fund Reserve Account for an aggregate amount of \$18,805,000 (year ended 31 December 2005: \$30,653,000).

29. Notes to the Condensed Consolidated Cash Flow Statement

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

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000
Profit before taxation	1,308,012	676,582
Adjustments for:		
Net interest income	(149,877)	(88,722)
Net realised and unrealised gains and interest income on financial assets and financial liabilities at fair value through profit or loss	(63,240)	(30,879)
Amortisation of lease premiums for land	273	273
Fair value gain of an investment property	(1,000)	(2,600)
Depreciation	50,260	85,680
Employee share-based compensation benefits	13,730	11,345
Reversal of impairment loss of a leasehold building	(62)	–
Provision for/(reversal of provision for) impairment losses of trade receivables	412	(372)
Changes in provisions	(421)	1,609
Share of profits less losses of associates	(9,252)	(8,635)
Gain on liquidation of an associate	(6)	–
Loss on disposal of fixed assets	674	–
Net (increase)/decrease in financial assets and financial liabilities at fair value through profit or loss	(31,471)	104,551
Fair value gains of hedging instruments retained in hedging reserve	139	–
Settlement of amounts transferred from retained earnings to Clearing House Funds and Compensation Fund Reserve Account	(18,805)	(6,308)
(Increase)/decrease in accounts receivable, prepayments and deposits	(1,687,424)	316,381
Increase/(decrease) in other current liabilities	1,762,179	(348,355)
Net cash inflow from operations	1,174,121	710,550
Interest received	279,615	68,571
Cash received on financial assets at fair value through profit or loss	46,468	41,188
Interest paid	(206,428)	(19,204)
Hong Kong Profits tax paid	(53,881)	(107,349)
Net cash inflow from operating activities	1,239,895	693,756

(b) The net assets of the Clearing House Funds, Compensation Fund Reserve Account and Margin Funds are held in segregated accounts for specific purposes. Movements in individual items of the net assets of the funds during the period therefore did not constitute any cash or cash equivalent transactions to the Group.

30. Commitments

Commitments in respect of capital expenditures:

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Contracted but not provided for	10,218	18,130
Authorised but not contracted for	74,385	118,838
	84,603	136,968

The commitments in respect of capital expenditures were mainly for the development and purchases of computer systems.

31. Contingent Liabilities

- (a) The Compensation Fund is a fund set up under the repealed SO for the purpose of compensating any person (other than a Stock Exchange Participant) dealing with a Stock Exchange Participant for any pecuniary losses suffered as a result of a default by the Stock Exchange Participant. According to section 109(3) of the SO, the maximum compensation amount is \$8 million for each Stock Exchange Participant's default. Under section 113(5A) of the SO, the Stock Exchange may, upon satisfying certain conditions, and with the approval of the SFC, allow an additional payment to successful claimants before apportionment. Under section 107(1) of the SO, the Stock Exchange has contingent liabilities to the Compensation Fund as it is obligated to replenish the Compensation Fund upon the SFC's request. The amounts to be replenished should be equal to the amount paid in connection with the satisfaction of the claims, including any legal and other expenses paid or incurred in relation to the claims but capped at \$8 million per default. As at 30 June 2006, there were outstanding claims received in respect of 4 Stock Exchange Participants (31 December 2005: 5).

Pursuant to the SFO, the Stock Exchange issued a notice on 3 April 2003 inviting claims against the Compensation Fund in relation to any default of a Stock Exchange Participant occurring before 1 April 2003. The claims period expired on 3 October 2003 and no claims were received in response to that notice. Claims made after the claims period are, unless the Stock Exchange otherwise determines, barred. As at 30 June 2006, no such claims had been received in response to the said notice.

Following the implementation of the new compensation arrangements under the SFO, an Investor Compensation Fund has been established to replace the existing Compensation Fund, the Commodity Exchange Compensation Fund and the Dealers' Deposit Schemes for non-exchange participant dealers. Pursuant to the SFO, Exchange Participants are no longer required to make deposits to the Investor Compensation Fund and the Stock Exchange is not required to replenish the Investor Compensation Fund. Hence, deposits to the Commodity Exchange Compensation Fund were returned to the Futures Exchange by the SFC in January 2004. The Futures Exchange had in turn reimbursed holders of Futures Exchange Trading Rights their contributions to the Commodity Exchange Compensation Fund. Similarly, deposits to the Compensation Fund would be returned to the Stock Exchange in accordance with the SFO pending completion of any determination of outstanding claims and replenishment to the Compensation Fund.

31. Contingent Liabilities *(Continued)*

- (b) The Stock Exchange has undertaken to indemnify the Collector of Stamp Revenue against any loss of revenue resulting from any underpayment or default or delay in payment of stamp duty by its Participants, up to \$200,000 in respect of the default of any one Participant. In the unlikely event that all of its 426 trading Participants as at 30 June 2006 (31 December 2005: 429) defaulted, the maximum contingent liability of the Stock Exchange under the indemnity would amount to \$85 million (31 December 2005: \$86 million).

The carrying amount of the financial guarantee contract recognised in the Group's balance sheet in accordance with HKAS 39 and HKFRS 4 (Amendments) was \$19,909,000 (31 December 2005: \$19,909,000).

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

32. Non-cash Collateral Received from Participants

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

As at 30 June 2006, the amount of non-cash collateral received from Participants and the amount utilised for covering part of their Clearing House Fund contributions and Margin Fund obligations were as follows:

	At 30 Jun 2006		At 31 Dec 2005	
	Amount received \$'000	Amount utilised \$'000	Amount received \$'000	Amount utilised \$'000
Clearing House Funds				
Bank guarantees	404,000	317,809	333,900	58,603
Margin Funds				
Equity securities, listed in Hong Kong	1,072,541	8,237	439,591	–
US Treasury Bills	421,736	339,407	191,965	141,086
Bank guarantees	144,000	100,000	100,000	–
	1,638,277	447,644	731,556	141,086
	2,042,277	765,453	1,065,456	199,689

33. Material Related Party Transactions

Certain Directors of HKEx are investor participants of HKSCC (“Investor Participants”) or directors and/or shareholders of (i) Stock Exchange Participants and Futures Exchange Participants (“Exchange Participants”), Clearing Participants and Investor Participants; (ii) companies listed on the Stock Exchange; and (iii) Exchange Participants for buying shares on behalf of HKSCC. Securities and derivatives contracts traded by, and fees levied on, these Exchange Participants, Clearing Participants and Investor Participants, fees levied on these listed companies and fees paid to these Exchange Participants for buying shares on behalf of HKSCC are all undertaken in the ordinary course of business of the Group on the standard terms and conditions applicable to all other Exchange Participants, Clearing Participants, Investor Participants, listed companies and Exchange Participants for buying shares on behalf of HKSCC.

In addition to the above, the Group has entered into the following transactions with related parties:

(a) Related companies with common directors

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Rental payments (including air conditioning and cleaning service charges) to Shine Hill Development Limited (“Shine Hill”)	1,757	2,668	386	1,337

On 16 February 2005, the Futures Exchange as the tenant renewed the lease in respect of the tenancy of an office premises (“Lease”) with Shine Hill as the landlord for a term of two years commencing 1 January 2005. The Futures Exchange is a wholly-owned subsidiary of HKEx. Shine Hill is a subsidiary of Great Eagle Holdings Limited (“Great Eagle”). Dr LO Ka Shui was an Independent Non-executive Director of HKEx prior to his retirement on 26 April 2006 and is the deputy chairman, managing director and substantial shareholder of Great Eagle. The Lease was an arm’s length transaction entered into on normal commercial terms. The rental payments for the six months and three months ended 30 June 2006 disclosed above represented expenses incurred up to 26 April 2006.

33. Material Related Party Transactions *(Continued)*

(b) Transactions with associates

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Income received and receivable from/(expenses paid and payable to) associates:				
<u>CHIS</u>				
– Dividend income	7,500	12,668	4,500	7,868
– Share registration service fees	(254)	(269)	(131)	(111)
<u>AWPS</u>				
– Liquidation proceeds	1,312	–	–	–

(c) Key management personnel compensation

	Six months ended 30 Jun 2006 \$'000	Six months ended 30 Jun 2005 \$'000	Three months ended 30 Jun 2006 \$'000	Three months ended 30 Jun 2005 \$'000
Salaries and other short-term employee benefits	29,227	25,968	16,056	13,353
Employee share-based compensation benefits	4,605	4,864	2,233	2,505
Retirement benefit costs	2,776	2,754	1,388	1,377
	36,608	33,586	19,677	17,235

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

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Amounts due from:		
– An associate	–	5,284
– Related companies with common directors	–	867
Amounts due to:		
– An associate	(97)	(14)
– Related companies with common directors	–	(113)

33. Material Related Party Transactions *(Continued)*

(e) Post-retirement benefit plans

Details of transactions with the Group's post-retirement benefit plans are included in note 8.

(f) Save as aforesaid, the Group has entered into other transactions in the ordinary course of business with companies where there are common directors but the amounts were immaterial.

34. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, equity price risk and interest rate risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

The Group's investment policy is to prudently invest all funds managed by the Group in a manner which will satisfy liquidity requirements, safeguard financial assets and manage risks while optimising return on investments.

Investment and fund management is governed by investment policies and risk management guidelines approved by the Board. Investment restrictions and guidelines form an integral part of risk control. Fund-specific restrictions and guidelines are set according to the investment objectives of each fund. In addition, specific limits are set for each fund to control risks (e.g. permissible asset type, asset allocation, liquidity, credit, counterparty concentration, maturity, foreign exchange and interest rate risks) of the investments.

(a) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity and commodity prices and interest rates. The Group is exposed to market risk primarily through its investments held.

34. Financial Risk Management *(Continued)*

(a) Market risk *(Continued)*

Funds available for investment comprise three main categories: Corporate Funds (mainly share capital and retained earnings of the Group), Clearing House Funds and Margin Funds received (which exclude non-cash collateral and contributions receivable from Participants).

An Investment Advisory Committee, comprised of Non-executive Directors of HKEx and an external member from the financial community, advises the Board on portfolio management and monitors the risk and performance of HKEx's investments. A Treasury team in the Finance Department is dedicated to the day-to-day management and investment of the funds. Three external fund managers have also been appointed to manage part of the Corporate Funds since July 2001. The external fund managers are stable and financially strong financial institutions and each has a worldwide aggregate fund size of a minimum of US\$10 billion under management.

(i) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments and transactions denominated in foreign currencies. 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 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 30 June 2006, the aggregate net open foreign currency positions amounted to HK\$2,178 million, of which HK\$213 million were non-USD exposures (31 December 2005: HK\$2,031 million, of which HK\$160 million were non-USD exposures), and the total nominal value of outstanding forward foreign exchange contracts amounted to HK\$430 million (31 December 2005: HK\$275 million). All forward foreign exchange contracts would mature within four months (31 December 2005: one month).

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

34. Financial Risk Management *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

The Group had entered into the following hedges as at 30 June 2006:

Cash flow hedges

In 2005, the Group designated a bank deposit of 8,500,000 Swedish Krona (“SEK”) as a cash flow hedge for hedging the foreign exchange risk of forecast information technology and computer maintenance expenses of SEK 8,500,000 from August to December 2005. During the period ended 30 June 2006, SEK 3,027,000 of the deposit was used to pay the said expenses.

In 2006, the Group designated bank deposits of SEK 17,680,000 as cash flow hedges for hedging the foreign exchange risk of forecast information technology and computer maintenance expenses of SEK 17,680,000 from May to December 2006. As at 30 June 2006, no payment had been made to settle any of the forecast expenses.

As at 30 June 2006, the fair value of the bank deposits designated as cash flow hedges held by the Group was \$24,965,000 (31 December 2005: \$8,281,000). The fair value gain on the bank deposits remaining in the hedging reserve as of 30 June 2006 will be released to the profit and loss account between July to December 2006 when the forecast expenses being hedged materialise.

The ineffectiveness of cash flow hedges charged to the profit and loss account during the six months ended 30 June 2006 amounted to \$3,000 (30 June 2005: \$Nil).

Fair value hedges

In 2005, the Group designated a bank deposit of SEK 11,000,000 as a fair value hedge held by the Group to hedge against the foreign exchange risk of financial liabilities of the Group of SEK 11,000,000. SEK 7,556,000 of the deposit was used to settle the financial liability during the period ended 30 June 2006.

In 2006, the Group designated bank deposits of SEK 9,100,000 as fair value hedges to hedge against the foreign exchange risk of financial liabilities of the Group of SEK 9,100,000. As at 30 June 2006, no payment had been made to settle any of the financial liabilities.

34. Financial Risk Management *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

Fair value hedges *(Continued)*

As at 30 June 2006, the fair value of the bank deposits designated as fair value hedges was \$13,525,000 (31 December 2005: \$10,717,000). The fair value gain on the bank deposits during the period ended 30 June 2006 was \$795,000 (2005: \$Nil) whereas the fair value loss on the financial liabilities being hedged during the same period was \$795,000 (2005: \$Nil).

(ii) Equity and commodity price risk

The Group is exposed to equity price risk as equities are held as part of the Corporate Fund's investments. Equity price risk is capped by an asset allocation limit. The Group is not exposed to commodity price risk as investment in commodities is not permitted under the Group's Investment Policy.

(iii) Interest rate risks

There are two types of interest rate risk:

- Fair value interest rate risk – the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- Cash flow interest rate risk – the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to both fair value and cash flow interest rate risks as the Group has significant assets and liabilities which are interest-bearing.

(iv) Risk management

Risk management techniques, such as Value-at-Risk ("VaR") based on historical simulation and portfolio stress testing, are used to identify, measure and control foreign exchange risk, equity price risk and interest rate risks of the Group's investments. VaR measures the expected maximum loss over a given time interval (a holding period of 10 trading days is used by the Group) at a given confidence level (95 per cent confidence interval is adopted by the Group) based on historical data (one year is used by the Group). The Board sets a limit on total VaR of the Group and VaR is monitored on a weekly basis.

34. Financial Risk Management *(Continued)*

(a) Market risk *(Continued)*

(iv) Risk management *(Continued)*

VaR is a statistical measure of risks and has limitations associated with the assumptions employed. Historical simulation assumes that actual observed historical changes in market indices, such as interest rates, foreign exchange rates and equity prices, reflect possible future changes. This implies that the approach is vulnerable to sudden changes in market behaviour. The use of a 10-day holding period assumes that the positions can be unwound in 10 trading days and the holding period may be insufficient at times of severe illiquidity. Also, VaR does not necessarily reflect all aspects of risks that affect the price of financial instruments and may underestimate real market risk exposure. In addition, VaR does not factor in the possibility of catastrophic risk but the use of stress testing for abnormal market conditions can mitigate this limitation.

The VaR for each risk factor and the total VaR of the investments of the Group during the period were as follows:

	Six months ended 30 Jun 2006			Six months ended 30 Jun 2005		
	Average \$million	Highest \$million	Lowest \$million	Average \$million	Highest \$million	Lowest \$million
Foreign exchange risk	6.2	7.4	4.9	5.0	6.1	3.8
Equity price risk	10.8	13.0	9.0	7.7	8.3	6.6
Interest rate risk	11.5	13.9	9.0	22.5	24.0	21.2
Total VaR	17.4	19.7	15.9	24.5	26.9	22.6

VaR for each risk factor is the independently derived largest potential loss due to fluctuations solely in that risk factor. The individual VaRs did not add up to the total VaR as there was diversification effect due to correlation amongst the risk factors. Moreover, in respect of the highest and lowest VaRs during the period, the highest and lowest VaRs in each market did not necessarily occur on the same day.

(b) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Investments of the Group are kept sufficiently liquid to meet the operating needs and possible liquid requirements of the Clearing House Funds and Margin Funds. The Group also sets a limit on the minimum level of cash or bank deposits held for the Corporate Funds, and the minimum level of investments to be held that would mature the same day and the next day for the Clearing House Funds and Margin Funds.

34. Financial Risk Management *(Continued)*

(b) Liquidity risk *(Continued)*

The financial liabilities of the Group as at 30 June 2006 are analysed into relevant maturity buckets based on their contractual maturity dates in the table below:

	At 30 Jun 2006					Total \$'000
	Up to 1 month \$'000	> 1 month to 3 months \$'000	> 3 months to 1 year \$'000	> 1 year to 5 years \$'000	Not Determinable \$'000	
Current liabilities						
Margin deposits from Clearing Participants on derivatives contracts	17,098,814	-	-	-	-	17,098,814
Accounts payable, accruals and other liabilities	5,419,526	33,015	51,345	144	14,391	5,518,421
Financial liabilities at fair value through profit or loss (note i)	290,711	-	42,431	-	-	333,142
Participants' admission fees received	1,000	150	300	-	200	1,650
	22,810,051	33,165	94,076	144	14,591	22,952,027
Non-current liabilities						
Participants' admission fees received	-	-	-	-	80,000	80,000
Participants' contributions to Clearing House Funds	-	-	-	-	2,094,598	2,094,598
Financial guarantee contract (note ii)	-	-	-	-	85,200	85,200
	-	-	-	-	2,259,798	2,259,798
Total	22,810,051	33,165	94,076	144	2,274,389	25,211,825

	At 31 Dec 2005 (as restated)					Total \$'000
	Up to 1 month \$'000	> 1 month to 3 months \$'000	> 3 months to 1 year \$'000	Not Determinable \$'000		
Current liabilities						
Margin deposits from Clearing Participants on derivatives contracts	13,648,581	-	-	-	-	13,648,581
Accounts payable, accruals and other liabilities	3,596,565	30,405	191	13,910		3,641,071
Financial liabilities at fair value through profit or loss (note i)	153,973	-	-	-		153,973
Participants' admission fees received	900	150	1,300	200		2,550
	17,400,019	30,555	1,491	14,110		17,446,175
Non-current liabilities						
Participants' admission fees received	-	-	-	80,150		80,150
Participants' contributions to Clearing House Funds	-	-	-	751,751		751,751
Financial guarantee contract (note ii)	-	-	-	85,800		85,800
	-	-	-	917,701		917,701
Total	17,400,019	30,555	1,491	931,811		18,363,876

34. Financial Risk Management *(Continued)*

(b) Liquidity risk *(Continued)*

- (i) The amount disclosed is based on the gross contractual amounts to be exchanged under the forward foreign exchange contracts under financial liabilities at fair value through profit or loss, which is different from the carrying amount (i.e. fair value) in the condensed consolidated balance sheet. The corresponding gross contractual amounts receivable under these forward foreign exchange contracts were \$325,107,000 (31 December 2005: \$152,530,000).
- (ii) The amount disclosed for financial guarantee contracts represented the amount of contingent liabilities at the balance sheet date.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. In addition, banking facilities have been put in place for contingency purposes. As at 30 June 2006, the Group's total available banking facilities amounted to \$1,611 million (31 December 2005: \$1,608 million), of which \$1,500 million (31 December 2005: \$1,500 million) were repurchase facilities to augment the liquidity of the Margin Funds.

(c) Credit risk

(i) Investment and accounts receivable-related risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's investments and trade receivables. Impairment provisions are made for losses that have been incurred at the balance sheet date. The Group limits its exposure to credit risk by rigorously selecting the counterparties (i.e. deposit-takers, bond issuers and debtors) and by diversification. As at 30 June 2006, the bonds held were of investment grade and had a weighted average credit rating of Aa2 (31 December 2005: Aa2), and there were no financial assets whose terms were renegotiated (31 December 2005: \$Nil). Deposits are placed only with the note-issuing banks in Hong Kong, investment grade licensed banks and restricted licence banks approved by the Board from time to time. All investments are subject to a maximum concentration limit approved by the Board and there was no significant concentration risk to a single counterparty. The Group mitigates its exposure to risks relating to accounts receivable from its Participants by requiring the Participants to meet the Group's established financial requirements and criteria for admission as Participants.

34. Financial Risk Management *(Continued)*

(c) Credit risk *(Continued)*

(ii) Clearing and settlement-related risk

In the normal course of business, the clearing houses of the Group, HKSCC, SEOCH and HKCC, act as the counterparties to eligible trades concluded on the Stock Exchange and the Futures Exchange through the novation of the obligations of the buyers and sellers. HKSCC is also responsible for the good title to the securities deposited and accepted in the CCASS depository. As a result, the Group has considerable market risk and credit risk since the Participants' ability to honour their obligations in respect of their trades and securities deposited may be adversely impacted by economic conditions affecting the Cash and Derivatives Markets. If the Participants default on their obligations on settlement or there are defects in the title of securities deposited and accepted in the CCASS depository, the Group could be exposed to potential risks not otherwise accounted for in these accounts.

The Group mitigates its exposure to risks described above by requiring the Participants to meet the Group's established financial requirements and criteria for admission as Participants, monitoring compliance with risk management measures such as position limits established by the Group and requiring Clearing Participants to contribute to the Clearing House Funds set up by HKSCC, SEOCH and HKCC. HKSCC also retains recourse against those Participants whose securities are deposited and accepted in the CCASS depository. Moreover, insurance has been taken out by the Group to cover the risks.

Position limits are imposed by HKCC to regulate or limit the maximum number or value of gross and net positions which can be held or controlled by the Participants based on their liquid capital. Bank guarantees may also be accepted to extend Participants' position limits. As of 30 June 2006, bank guarantees of \$1,165,000,000 (31 December 2005: \$915,400,000) were accepted for such purpose.

In addition to the above, the Group has set aside \$1,500 million of retained earnings for the purpose of strengthening the risk management regime of the clearing houses and supporting their roles as central counterparties.

34. Financial Risk Management *(Continued)*(c) Credit risk *(Continued)*

(iii) Exposure to credit risk

As at 30 June 2006, the financial assets and financial liabilities of the Group that were exposed to credit risk and their maximum exposure were as follows:

	At 30 Jun 2006		As restated At 31 Dec 2005	
	Carrying amount in balance sheet \$'000	Maximum exposure to credit risk \$'000	Carrying amount in balance sheet \$'000	Maximum exposure to credit risk \$'000
Financial assets				
Clearing House Funds:				
Available-for-sale financial assets	315,815	315,815	224,137	224,137
Time deposits with original maturities over three months	–	–	30,290	30,290
Cash and cash equivalents	2,385,754	2,385,754	1,091,233	1,091,233
Compensation Fund Reserve Account:				
Available-for-sale financial assets	–	–	18,488	18,488
Cash and cash equivalents	49,786	49,786	30,240	30,240
Time deposit with maturity over one year	38,835	38,835	38,768	38,768
Other assets	18,548	18,548	17,162	17,162
Accounts receivable and deposits [#]	4,950,933	4,950,933	3,250,197	3,250,197
Margin Funds on derivatives contracts:				
Available-for-sale financial assets	7,455,944	7,455,944	3,828,833	3,828,833
Time deposits with original maturities over three months	56,348	56,348	100,018	100,018
Cash and cash equivalents	10,200,506	10,200,506	9,686,026	9,686,026
Margin receivable from Clearing Participants	11,183	11,183	33,704	33,704
Financial assets at fair value through profit or loss	2,712,507	2,712,507	2,643,788	2,643,788
Time deposits with original maturities over three months	49,121	49,121	116,622	116,622
Cash and cash equivalents	2,062,256	2,062,256	1,359,133	1,359,133
Financial liabilities				
Undertaking to indemnify the Collector of Stamp Revenue	(19,909)	85,200	(19,909)	85,800

[#] Certain debtors were required to place cash deposits with the Group to mitigate the maximum exposure to credit risk.

34. Financial Risk Management *(Continued)*

(c) Credit risk *(Continued)*

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

As at 30 June 2006, the age analysis of the trade receivables of the Group that were past due but not determined to be impaired according to the period past due was as follows:

	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Up to 6 months	31,907	141,277
Over 6 months to 1 year	–	–
Over 1 year to 3 years*	6,838	8,521
Over 3 years*	1,813	142
Total	40,558	149,940

* No provision for impairment losses has been made against trade receivables amounting to \$8,510,000 (31 December 2005: \$8,521,000) as the balances can be recovered from the Clearing House Funds.

The fair value of cash deposits placed by the related trade debtors with the Group was \$2,917,000 (31 December 2005: \$3,600,000).

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

As at 30 June 2006, trade receivables of the Group amounting to \$4,741,000 (31 December 2005: \$4,329,000) were determined to be impaired and full provision had been made. These receivables were outstanding for over 180 days as at the balance sheet date or were due from companies with financial difficulties. The factors the Group considered in determining whether the financial assets were impaired were disclosed in the 2005 annual accounts. No cash deposits had been placed by the related trade debtors with the Group (31 December 2005: \$Nil).

(vi) Outstanding balances from debtors which were not recognised as income

As soon as a loan or receivable becomes impaired, the Group may continue to provide services or facilities to the debtors concerned but no further accounts receivable will be recognised on balance sheet as economic benefits may not flow to the Group. The revenue concerned is not recognised but tracked as doubtful deferred revenue and will only be recognised as income when received. As at 30 June 2006, the amount of doubtful deferred revenue amounted to \$37,397,000 (31 December 2005: \$37,643,000).

34. Financial Risk Management *(Continued)*

(d) Fair values of financial assets and financial liabilities not reported at fair values

Summarised in the following table are the carrying amounts and fair values of financial assets and financial liabilities not presented in the Group's balance sheet at their fair values. The carrying amounts of short-term receivables (i.e. accounts receivable, deposits and cash and cash equivalents) and short-term payables (i.e. accounts payable and other liabilities) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

	Carrying amount in balance sheet		Fair value	
	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000	At 30 Jun 2006 \$'000	At 31 Dec 2005 \$'000
Financial assets				
Time deposit with maturity over one year	38,835	38,768	36,026	36,659
Other financial assets included in other non-current assets (note i)	18,548	17,162	16,644	15,550
Financial liabilities				
Participants' admission fees received included in non-current liabilities (note i)	80,000	80,150	76,223	76,732
Participants' contributions to Clearing House Funds:				
– Minimum contributions (note i)	363,100	358,050	345,958	342,779
– Participants' additional deposits	1,731,498	393,701	1,731,498	393,701
Financial guarantee contract (note ii)	19,909	19,909	17,603	20,526

- (i) The fair values are based on cash flows discounted using Hong Kong Government bond rates of a tenor similar to the contractual maturity of the respective assets/liabilities, adjusted by an estimated credit spread. Assets/liabilities without a contractual maturity are assumed to mature exactly one year after the balance sheet date. The discount rates used range from 4.96 per cent to 5.05 per cent as at 30 June 2006 (31 December 2005: 4.46 per cent to 4.64 per cent).
- (ii) The fair values are based on the fees charged by financial institutions for granting such guarantees discounted using a ten-year Hong Kong Government bond rate to perpetuity. The discount rate was 4.84 per cent as at 30 June 2006 (31 December 2005: 4.18 per cent).

Audit Committee Report

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

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

In the process of considering the 2006 Internal Audit Plan, the AC stressed that Internal Audit should conduct surprise audits rather than scheduled assignments. At its meeting held on 8 May 2006, the AC reviewed the work of the external audit, considered the qualifications of the engagement team, and approved the proposed audit services fees for the 2006 fiscal year.

AC has reviewed the Group’s unaudited interim accounts for the six months ended 30 June 2006 in conjunction with HKEx’s external auditors. It has also reviewed the accounting principles and practices adopted by the Group, and the independent review report of the external auditors as set out on page 84.

Based on these reviews, and discussions with the management and external auditors, the AC endorses the accounting treatment adopted by HKEx, and has to the best of its ability assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and the Appendix 16 of the Listing Rules. The AC therefore recommended the Board to approve the unaudited financial statements for the six months ended 30 June 2006 for public release.

Members of the Audit Committee

STRICKLAND, John Estmond (*Chairman*)

FONG Hup (*Deputy Chairman*)

CHENG Mo Chi, Moses (appointment effective 27 April 2006)

CHEUNG Kin Tung, Marvin

FAN Hung Ling, Henry (resigned on 27 April 2006)

LEE Kwan Ho, Vincent Marshall

Hong Kong, 16 August 2006

Auditors' Independent Review Report

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HONG KONG EXCHANGES AND CLEARING LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by Hong Kong Exchanges and Clearing Limited to review the interim financial report for the six months ended 30 June 2006 set out on pages 36 to 82.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standard 700 “Engagements to review interim financial reports”, issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group’s management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of control and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 August 2006

Other Information

Board of Directors

Dr Loh Kung Wai, Christine and Mr David Michael Webb were successfully elected and re-elected respectively by Shareholders at the 2006 AGM and their service terms are approximately three years from 26 April 2006 until the conclusion of the annual general meeting to be held in 2009. Mr Lee Jor Hung, Dannis retired after the conclusion of the 2006 AGM.

On 26 April 2006, the Financial Secretary appointed Mr Ronald Joseph Arculli, Mrs Cha May-Lung, Laura and Mr Cheng Mo Chi, Moses as Government Appointed Directors to succeed Mr Lee Yeh Kwong, Charles, Mr Tim Freshwater and Dr Lo Ka Shui, who retired after the conclusion of the 2006 AGM. They were appointed to a term of approximately two years from 26 April 2006 until the conclusion of the annual general meeting to be held in 2008. The Board subsequently on 27 April 2006 appointed Mr Ronald Joseph Arculli as the Chairman of the Board and the appointment was approved by the Chief Executive of Hong Kong on 28 April 2006.

We would like to take this opportunity to record our thanks and sincere appreciation to our ex-Chairman, Mr Lee Yeh Kwong, Charles, for his steadfast leadership and distinct contributions to HKEx over the past years. His devoted commitment and tireless efforts have been instrumental in steering HKEx to become one of the most successful international publicly-owned exchange operators. Amidst our appreciation to our ex-Chairman, the Board would also like to express its sincere appreciation to Mr Tim Freshwater, Mr Lee Jor Hung, Dannis and Dr Lo Ka Shui for their contributions, invaluable advice and support rendered to HKEx over the past six years.

Committees and Consultative Panels

Following the changes in the Board membership that took effect after the conclusion of the 2006 AGM, the Board appointed members to various Committees and Consultative Panels on 27 April 2006.

Audit Committee

Mr Cheng Mo Chi, Moses was appointed a member to succeed Mr Fan Hung Ling, Henry who resigned from the Audit Committee.

Executive Committee

Mr Lee Kwan Ho, Vincent Marshall was appointed a member to succeed Mr Lee Jor Hung, Dannis. Mr Fong Hup was appointed as a member upon the Board's approval of changing the composition of the Executive Committee to comprise solely Board members. Mr Ronald Joseph Arculli assumed chairmanship effective 28 April 2006 pursuant to the Executive Committee's terms of reference.

Investment Advisory Committee

Mr Fan Hung Ling, Henry was appointed the chairman to succeed Mr Tim Freshwater. Mrs Cha May-Lung, Laura was appointed as an additional member.

Nomination Committee, Disciplinary Appeals Committee and Listing Nominating Committee

Mr Ronald Joseph Arculli was appointed the chairman of the Nomination Committee of HKEx and a member of the Disciplinary Appeals Committee and the Listing Nominating Committee of the Stock Exchange to succeed Mr Lee Yeh Kwong, Charles.

Remuneration Committee

Dr Cheung Kin Tung, Marvin was appointed the chairman to succeed Dr Lo Ka Shui. Mr Cheng Mo Chi, Moses, Mr Fong Hup, Mr Lee Kwan Ho, Vincent Marshall and Dr Loh Kung Wai, Christine were appointed as members following the retirement of Mr Lee Jor Hung, Dannis after the conclusion of the 2006 AGM and upon the Board's approval to increase the number of committee members from three to five.

Risk Management Committee

Mr Ronald Joseph Arculli was appointed the chairman of the Risk Management Committee effective 28 April 2006 pursuant to Section 65 of the SFO.

Cash Market Consultative Panel ("CMCP")

Mr Lee Kwan Ho, Vincent Marshall and Dr Cheung Kin Tung, Marvin were appointed the chairman and deputy chairman to succeed Mr Lee Jor Hung, Dannis and Mr Tim Freshwater respectively.

Clearing Consultative Panel ("CCP")

Mr Fong Hup, the former deputy chairman, was appointed the chairman to succeed Mr Lee Kwan Ho, Vincent Marshall who has taken up the position as the chairman of the CMCP and Mr Wong Sai Hung, Oscar was appointed the deputy chairman to succeed Mr Fong Hup.

Derivatives Market Consultative Panel ("DMCP")

Dr Loh Kung Wai, Christine was appointed the deputy chairman to succeed Dr Cheung Kin Tung, Marvin who was appointed the deputy chairman of the CMCP.

Panel Member Nomination Committee ("PMNC")

The Board established the PMNC on 12 April 2006 for the purpose of identifying and selecting nominees for the CMCP, CCP and DMCP for the Board's consideration and approval. The PMNC consists of five members, including the chairmen of the Consultative Panels and two Directors appointed by the Board. Mrs Cha May-Lung, Laura was appointed a member to succeed Mr Fong Hup after the latter took up the position as the chairman of the CCP. Mr Wong Sai Hung, Oscar is another member appointed by the Board.

On 2 June 2006, certain retired members of the Consultative Panels were re-appointed by the Board to a one-year term while new members were appointed to a three-year term.

The term of service of each Director with each Committee or Consultative Panel shall be coterminous with the individual's term of directorship with HKEx. The list of Committee and Consultative Panel members is available on HKEx's corporate website.

Becomes a Hang Seng Index Constituent Stock

On 11 August 2006, HSI Services Limited announced that HKEx will be included as a Hang Seng Index constituent stock with effect from 11 September 2006.

Change in Board Lot

The board lot size of shares of \$1.00 each in the share capital of HKEx ("Shares") for trading on the Stock Exchange was changed from 2,000 Shares to 500 Shares effective 26 June 2006. Free exchange of share certificates in board lots of 2,000 Shares each for share certificates in board lots of 500 Shares each was available from 12 June 2006 to 24 July 2006 (both dates inclusive). The detailed arrangement of the change in board lot size was announced by HKEx on 2 June 2006.

Interim Dividend

The Board has declared an interim dividend of \$0.94 per share (2005: \$0.49 per share) for the year ending 31 December 2006, amounting to a total of about \$1,001 million (2005: \$521 million), including dividend of about \$912,000 for shares held upon trust under the Share Award Scheme (2005: \$Nil). Details of the closure of register of members are set out on page 93 of this interim report.

Share Option Schemes

HKEx operates two share option schemes, the Pre-Listing Scheme and the Post-Listing Scheme, under which the Board may, at its discretion, offer any employee (including any executive director) of HKEx or its subsidiaries options to subscribe for shares in HKEx subject to the terms and conditions stipulated in the two schemes. Both schemes were approved by the Shareholders on 31 May 2000 and have a life of 10 years until 30 May 2010. Amendments to the Post-Listing Scheme, including, inter alia, the abolition of granting options at discounted prices, were approved by the Shareholders on 17 April 2002 so as to comply with the new requirements of Chapter 17 of the Main Board Listing Rules which came into effect on 1 September 2001.

Details of the share options outstanding as at 30 June 2006 under the Pre-Listing Scheme and the Post-Listing Scheme were as follows:

Pre-Listing Scheme

Date of grant	Exercise price	Number of shares issuable under the options				Exercise period
		As at 1 Jan 2006	Issued upon subscription during the six months ended 30 Jun 2006	Lapsed during the six months ended 30 Jun 2006	As at 30 Jun 2006	
Employees <i>(note 1)</i>						
20 Jun 2000	\$6.88	2,126,000	1,150,000 <i>(note 2)</i>	–	976,000	6 Mar 2002 – 30 May 2010 <i>(note 3)</i>

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

Post-Listing Scheme

Date of grant	Exercise price	Number of shares issuable under the options				Exercise period <i>(note 5)</i>
		As at 1 Jan 2006	Issued upon subscription during the six months ended 30 Jun 2006 <i>(note 4)</i>	Lapsed during the six months ended 30 Jun 2006	As at 30 Jun 2006	
Director <i>(note 6)</i>						
2 May 2003	\$8.28	2,460,000	–	–	2,460,000	2 May 2005 – 1 May 2013
Employees <i>(note 1)</i>						
14 Aug 2003	\$12.45	844,000	–	–	844,000	14 Aug 2005 – 13 Aug 2013
18 Aug 2003	\$12.49	1,476,000	–	–	1,476,000	18 Aug 2005 – 17 Aug 2013
15 Jan 2004	\$17.30	1,094,000	272,000	–	822,000	15 Jan 2006 – 14 Jan 2014
31 Mar 2004	\$16.96	5,074,000	626,500 <i>(note 7)</i>	106,000	4,341,500	31 Mar 2006 – 30 Mar 2014
17 May 2004	\$15.91	200,000	50,000	–	150,000	17 May 2006 – 16 May 2014
26 Jan 2005	\$19.25	5,426,000	–	108,000	5,318,000	26 Jan 2007 – 25 Jan 2015

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

No options granted under these two share option schemes were cancelled during the six months ended 30 June 2006.

Notes:

1. *Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance of Hong Kong.*
2. *The weighted average closing price immediately before the dates on which the options were exercised was \$44.75.*
3. *Options granted are exercisable between 6 March 2002 and 30 May 2010, subject to a vesting scale in tranches of 25 per cent each per annum reaching 100 per cent as from 6 March 2005.*
4. *The weighted average closing price immediately before the dates on which the options were exercised was \$54.10.*
5. *Options granted are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of grant.*
6. *The option was granted to Mr Chow Man Yiu, Paul, a Director and the Chief Executive of HKEx.*
7. *Excluding the 1,500 shares exercised on 30 June 2006 with the allotment of these shares on 3 July 2006. The closing price immediately before the date of exercise was \$47.50.*
8. *The amortised fair value of the share options charged to the profit and loss account for the six months ended 30 June 2006 was \$9,664,000 (30 June 2005: \$11,345,000).*

Share Award Scheme

On 14 September 2005 (“Adoption Date”), the Board adopted the Share Award Scheme in which selected employees (including any executive directors) of the Group are entitled to participate. The purposes and objectives are to recognise the contributions by certain employees of the Group and to give them an incentive to remain for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no contribution to the trust fund will be made by HKEx on or after the tenth anniversary date of the Adoption Date. The maximum numbers of shares which can be awarded under the Share Award Scheme and to a selected employee throughout its duration are limited to three per cent (i.e. 31,871,575 shares) and one per cent (i.e. 10,623,858 shares) respectively of the shares of HKEx in issue as at the Adoption Date.

Pursuant to the rules of the Share Award Scheme, the Board or the trustee of the Share Award Scheme (as the case may be) shall select the employees of the Group for participation in the Share Award Scheme, and determine the number of shares of HKEx to be awarded. Awarded shares are granted at nil consideration. The trustee acquires the relevant awarded shares from the market at the cost of HKEx and holds them in trust for those selected employees until the end of each vesting period. Awarded shares and the income derived therefrom are subject to a vesting scale of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of award, provided that the selected employee remains an employee of the Group at all times until the relevant vesting dates and satisfies the conditions specified under the Share Award Scheme. Vested shares will be transferred at no cost to the relevant selected employees of HKEx.

Since its adoption, the Board has awarded a total of 960,000 shares to the selected employees and none of them is a Director of HKEx. Details of the award are set out below:

Date of award	Number of shares	Fair value per share (note)	Vesting period
19 Dec 2005	960,000	\$31.20	19 Dec 2007 – 19 Dec 2010

Note:

The fair value of the awarded shares was based on their market value at the date of award. The amortised fair value of the awarded shares charged to the profit and loss account for the six months ended 30 June 2006 was \$4,066,000 (30 June 2005: \$Nil).

As at 30 June 2006, taking into account the further shares acquired by reinvesting the dividend income, there were a total of 970,000 shares held upon trust by the trustee under the Share Award Scheme, with an aggregate of 12,897 shares as returned shares (i.e. shares were not vested and/or forfeited in accordance with the terms of the Share Award Scheme). The trustee shall hold these returned shares and future related income for the benefit of one or more employees of the Group as it determines at its discretion, after taking into account the recommendations of the Board. During the period, 12,700 awarded shares under the Share Award Scheme lapsed and no shares were vested.

On 16 August 2006, the Board approved an amendment to the rules and the related trust deed of the Share Award Scheme under which the Board will approve the lump sum for acquiring the Awarded Shares instead of approving a fixed number of Awarded Shares. The revised rules and trust deed are posted on HKEx's corporate website.

The Board has decided that, after adoption of the Share Award Scheme, no further options will be granted under the Post-Listing Scheme.

Directors' and Chief Executive's Interests and Short Positions

As at 30 June 2006, the Directors, the Chief Executive and their respective associates had the following interests in the shares and underlying shares of HKEx, as recorded in the register maintained by HKEx pursuant to Section 352 of the SFO:

Interests in the shares and underlying shares of HKEx

Name of director	Number of shares/underlying shares held				Total	% of the issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Chow Man Yiu, Paul	3,280,000 (note 1)	–	–	–	3,280,000	0.31
Lee Kwan Ho, Vincent Marshall	–	–	1,626,000 (note 2)	180,000 (note 3)	1,806,000	0.17
John Estmond Strickland	18,000 (note 4)	–	–	–	18,000	0.00
David Michael Webb	2 (note 5)	2 (note 6)	6 (note 7)	–	10	0.00

Notes:

1. *Mr Chow, who is also the Chief Executive of HKEx, has beneficial interests in 820,000 shares, and 2,460,000 underlying shares in respect of the share option granted to him pursuant to the Post-Listing Scheme on 2 May 2003. The said option is exercisable between 2 May 2005 and 1 May 2013 at an exercise price of \$8.28 per share. The number of shares issuable under the option granted and the exercise price had been adjusted in accordance with the resolution passed by Shareholders at the annual general meeting held in 2004.*
2. *Mr Lee has interest in 1,626,000 underlying shares through listed equity derivatives (physically settled options) held by Pacific Trust Company Limited, in which Mr Lee holds 33.33 per cent beneficial interests.*
3. *Mr Lee has interest in 180,000 shares held by a corporation, controlled by Lee Tung Hai Family Trust, a discretionary trust of which Mr Lee is a beneficiary.*
4. *The shares were held by Mr Strickland as beneficial owner.*
5. *The shares were held by Mr Webb as beneficial owner.*
6. *The shares were owned by the spouse of Mr Webb.*
7. *The shares were owned by Fundamental Consultants Limited, Member One Limited and Member Two Limited which are under the control of Mr Webb.*

Short positions in the shares and underlying shares of HKEx

As at 30 June 2006, Mr Lee Kwan Ho, Vincent Marshall was, under the SFO, interested in aggregate short positions of 1,000,000 underlying shares in HKEx, representing 0.09 per cent of the total issued share capital of HKEx, which arose through certain listed equity derivatives (physically settled options) held by Pacific Trust Company Limited in which Mr Lee holds 33.33 per cent beneficial interests.

Save for those disclosed above, none of the Director or the Chief Executive of HKEx had any interest and short position in the shares, underlying shares and debentures of HKEx or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to HKEx and the Stock Exchange pursuant to the Model Code. Neither the Directors nor the Chief Executive (including their spouses and children under the age of 18) had, as at 30 June 2006, any interest in, or had been granted any right to subscribe for the securities and options of HKEx and its associated corporations within the meaning of the SFO, or had exercised any such rights.

Disclosable Interests and Short Positions of Shareholders under the SFO

As at 30 June 2006, the Directors are not aware of any party who was directly or indirectly interested in five per cent or more of the issued share capital of HKEx, as recorded in the register required to be kept by HKEx under Section 336 of the SFO.

Minority Controllers

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

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

As at 30 June 2006, the Minority Controllers were in aggregate holding 51.3 per cent of the issued share capital of HKEx (30 June 2005: 54.7 per cent).

Corporate Governance

HKEx is committed to building and maintaining high standards of corporate governance. HKEx applied the principles and fully complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Main Board Listing Rules throughout the review period.

In June 2006, GovernanceMetrics International Inc affirmed the scores of HKEx as of 1 May 2006 of 6.5 (Global, July 2005: 6.5) and 9.5 (Home Market, July 2005: 9.5) out of the full score of 10.0.

In addition, the FTSE4Good Policy Committee in its March 2006 FTSE4Good Semi-annual Index Review confirmed that HKEx continues to meet the corporate social responsibility criteria inclusion for the FTSE4Good Index and remains a member of the FTSE4Good Index Series. HKEx has been selected a member of the FTSE4Good Index Series since September 2005.

Compliance with the Model Code

HKEx has adopted the Model Code as set out in Appendix 10 to the Main Board Listing Rules. All Directors have confirmed, following specific enquiry by HKEx, that they fully complied with the Model Code throughout the review period.

Purchase, Sale or Redemption of HKEx's Listed Securities

During the six months ended 30 June 2006, HKEx had not redeemed, and neither HKEx nor any of its subsidiaries had purchased or sold, any of HKEx's listed securities.

In December 2005, the Board awarded 960,000 shares to a number of employees. The trustee of the Share Award Scheme purchased 958,000 shares on the Stock Exchange in December 2005 and the remaining 2,000 shares in January 2006. During the period, the trustee of the Share Award Scheme also applied, according to the terms of the trust deed, the dividend income received in respect of the HKEx shares held under the trust to acquire further 10,000 HKEx shares on the Stock Exchange. The total amount paid to acquire these 12,000 shares during the period was about \$666,000.

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

Hong Kong, 16 August 2006

Information for Stakeholders

INTERIM REPORT

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 8 September 2006 to Tuesday, 12 September 2006, both dates inclusive, during which period, no transfer of shares will be registered. Dividend warrants will be despatched to the Shareholders on or about Tuesday, 19 September 2006. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with HKEx’s registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 7 September 2006.

REGISTERED OFFICE

Address: 12th Floor, One International Finance Centre,
1 Harbour View Street, Central, Hong Kong
Telephone number: +852 2522 1122
Fax number: +852 2295 3106
Email address: info@hkex.com.hk
Website: <http://www.hkex.com.hk>

REPRESENTATIVE OFFICE IN BEIJING

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

GUANGZHOU SPECIAL REPRESENTATIVE

Address: Unit C, 12th Floor, Guangdong International Building, Annex A,
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Postal Code: 510098
Telephone number: +8620 2237 3166
Fax number: +8620 2237 3167

SHANGHAI SPECIAL REPRESENTATIVE

Address: Room 012, 14th Floor, HSBC Tower,
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Fax number: +8621 6841 0938

OUR CONTACT DETAILS

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Corporate Communications and Investor Services

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 Fax number: +852 2868 4084

Issuer Services

Name: Mr Peter Curley, Senior Vice President, Listing Division
 Address: 11th Floor, One International Finance Centre,
 1 Harbour View Street, Central, Hong Kong
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 Fax number: +852 2295 0198 / +852 2295 0590 / +852 2295 3599

Participant Services

Name: Mr Derek Tam, Senior Vice President, Exchange Division
 Address: 17th Floor, Worldwide House,
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 Fax number: +852 2810 9712

Secretarial Services

Name: Mr Joseph Mau, Company Secretary,
 Head of Secretarial Services Department
 Address: 12th Floor, One International Finance Centre,
 1 Harbour View Street, Central, Hong Kong
 Telephone number: +852 2840 3872
 Fax number: +852 2878 7029

HKEx'S REGISTRAR AND TRANSFER OFFICE

Name: Hong Kong Registrars Limited
 Address: 46th Floor and Rooms 1712-1716, 17th Floor, Hopewell Centre,
 183 Queen's Road East, Wanchai, Hong Kong
 Telephone number: +852 2862 8628
 Fax number: +852 2865 0990 / +852 2529 6087

FINANCIAL CALENDAR

2006 AGM	26 April 2006
Announcement of first quarter results	10 May 2006
Announcement of interim results	16 August 2006
Announcement of third quarter results	November 2006*
Announcement of final results	March 2007*

* To be advised

DIVIDEND

Interim dividend	\$0.94 per share
Ex-dividend date for interim dividend	6 September 2006
Book closing dates for interim dividend	8-12 September 2006
Record date for interim dividend	12 September 2006
Payment date for interim dividend	on or about 19 September 2006

SHARE INFORMATION

Share Listing

HKEx's shares were first listed on the Stock Exchange on 27 June 2000.

Stock Code

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

Board lot

500 shares*

* The board lot size has been changed from 2,000 shares to 500 shares effective 26 June 2006.

PRICE AND TURNOVER HISTORY

Year	Price per Share		Turnover (in millions)	
	High (\$)	Low (\$)	(Shares)	(\$)
2005				
July	24.70	20.05	131.55	2,932.89
August	25.45	23.20	97.10	2,364.01
September	27.30	23.80	68.82	1,743.33
October	27.80	24.90	92.55	2,411.89
November	29.35	25.85	90.47	2,476.97
December	32.20	27.65	75.03	2,231.82
2006				
January	37.90	32.20	152.40	5,409.51
February	40.65	36.50	126.21	4,869.77
March	48.25	37.50	195.65	8,195.09
April	59.75	46.90	185.90	10,300.22
May	65.80	49.00	234.83	13,311.29
June	56.40	44.75	252.99	12,479.78

MARKET CAPITALISATION

Public Float Capitalisation as at 30 June 2006 \$53,189 million

(Issued capital: 1,064,853,346 shares; closing price at 30 June 2006: \$49.95 per share)

Glossary

2006 AGM	Annual general meeting held on 26 April 2006
AMS/3	Third Generation Automatic Order Matching and Execution System
BBS	Bronze Bauhinia Star
Board	Board of directors of HKEx
CBBC(s)	Callable Bull/Bear Contract(s)
CCASS	The Central Clearing and Settlement System
CCASS/3	The Latest Generation of the Central Clearing and Settlement System
DCASS	Derivatives Clearing and Settlement System
DWRC	Derivative Warrant Resource Centre
EP(s)	Exchange Participant(s)
Financial Secretary	Financial Secretary of Hong Kong
GBM	Grand Bauhinia Medal
GBS	Gold Bauhinia Star
GEM	Growth Enterprise Market
GEM Listing Rules	Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Government	Hong Kong Government
Government Appointed Directors	Directors appointed by the Financial Secretary pursuant to Section 77 of the SFO
Group	HKEx and its subsidiaries
HKATS	Hong Kong Futures Automated Trading System
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKFE or the Futures Exchange	Hong Kong Futures Exchange Limited
HKSCC	Hong Kong Securities Clearing Company Limited
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
IP(s)	Investor Participant(s)
IPO(s)	Initial public offering(s)
JP	Justice of the Peace
Listing Committees	Main Board Listing Committee and the GEM Listing Committee
Listing Rules	Main Board Listing Rules and GEM Listing Rules
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MH	Medal of Honour
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
Post-Listing Scheme	Post-Listing Share Option Scheme approved by Shareholders on 31 May 2000 which was subsequently amended by Shareholders on 17 April 2002
Pre-Listing Scheme	Pre-Listing Share Option Scheme approved by Shareholders on 31 May 2000
SBS	Silver Bauhinia Star
SEHK or the Stock Exchange or the Exchange	The Stock Exchange of Hong Kong Limited
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
Shareholders	Shareholders of HKEx
Share Award Scheme	Employees' Share Award Scheme adopted by the Board on 14 September 2005
USD	US dollars
\$/HKD	Hong Kong dollars



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