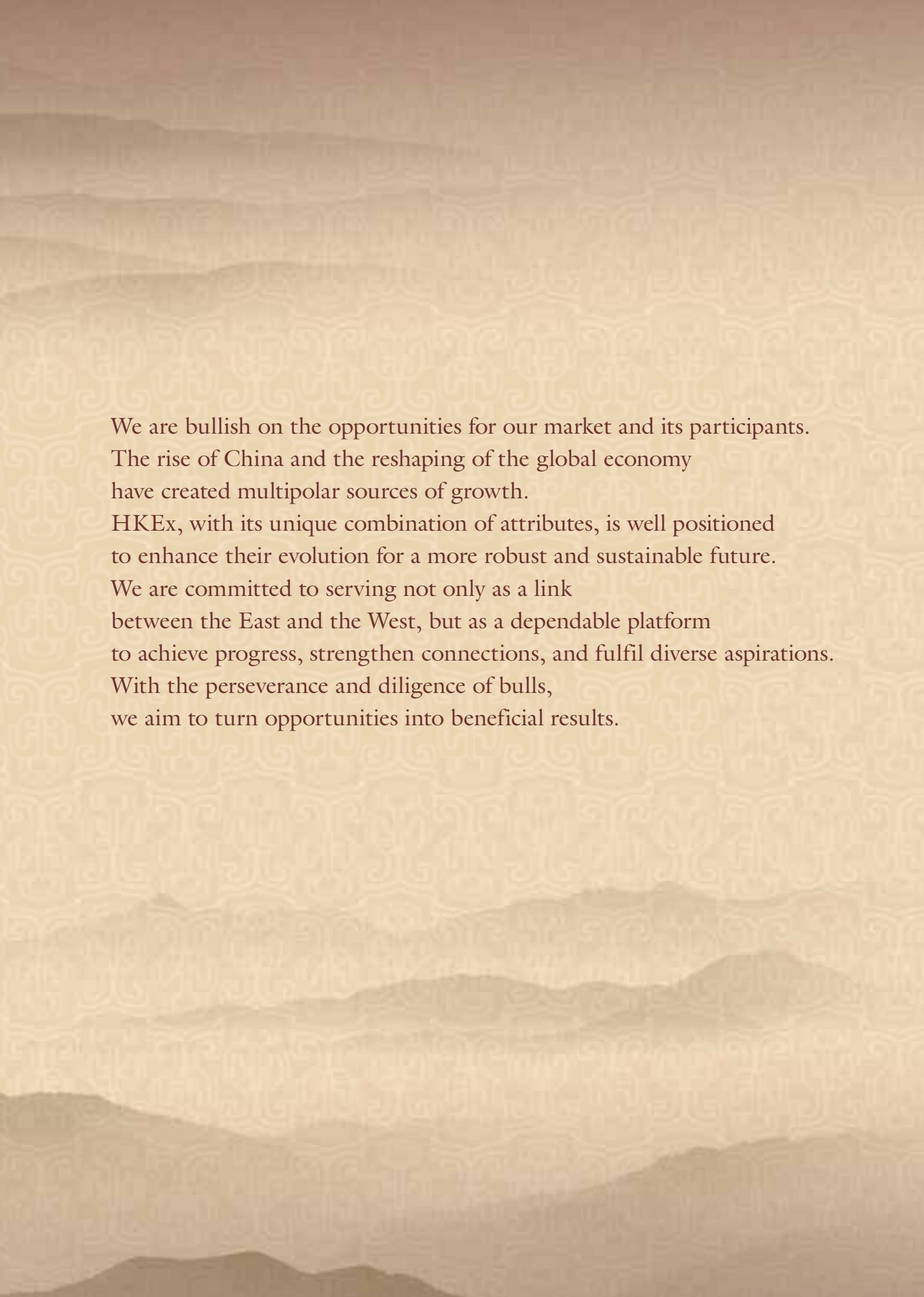


2010 Interim Report



The background features a soft, sepia-toned landscape of misty mountains. Overlaid on this is a repeating, light-colored geometric pattern consisting of interlocking, stylized shapes that resemble a traditional textile or paper design. The text is centered in the middle of the page.

We are bullish on the opportunities for our market and its participants. The rise of China and the reshaping of the global economy have created multipolar sources of growth. HKEx, with its unique combination of attributes, is well positioned to enhance their evolution for a more robust and sustainable future. We are committed to serving not only as a link between the East and the West, but as a dependable platform to achieve progress, strengthen connections, and fulfil diverse aspirations. With the perseverance and diligence of bulls, we aim to turn opportunities into beneficial results.

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(Financial figures in this interim report are expressed in HKD unless otherwise stated)

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FINANCIAL HIGHLIGHTS

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

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

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

Notes:

- The Group's total assets include the Margin Funds received from Participants on futures and options contracts.
- Based on 1,076,515,853 shares as at 30 June 2010, being 1,077,915,346 shares issued and fully paid less 1,399,493 shares held for the Share Award Scheme (31 December 2009: 1,075,514,581 shares, being 1,076,190,346 shares issued and fully paid less 675,765 shares held for the Share Award Scheme)

MAJOR EVENTS

16 January

Mr Charles X Li became the Chief Executive of HKEx

21 January

Issued a joint statement with the Shanghai Stock Exchange on closer cooperation initiatives



27 January

United Company RUSAL Plc became the first Russian company listed on SEHK

4 March

Announced the Strategic Plan 2010-2012 and revised corporate structure

18 April

Received “The Exchange of the Year” in The Asian Banker Leadership Achievement Awards for Markets and Exchanges 2009

27 April

The Acting Chief Executive of the Hong Kong Special Administrative Region approved the re-appointment of Mr Ronald J Arculli as the Chairman of HKEx

30 April

Donated \$1 million to support relief efforts in areas affected by the earthquake in Qinghai

7 May

L’Occitane International SA became the first Luxembourg-incorporated company and the first French enterprise listed on SEHK

24 May

Signed a MOU with the Korea Exchange on cooperation and the exchange of information



15 June

Received the Corporate Governance Asia Recognition Award 2010 from *Corporate Governance Asia*

2 July

Signed a MOU with the Hanoi Stock Exchange on cooperation and the exchange of information



BOARD AND COMMITTEES

Board

Independent Non-executive Chairman

Ronald Joseph ARCULLI *¹ GBM, GBS, JP

Executive Director, Chief Executive

CHOW Man Yiu, Paul² GBS, JP

LI Xiaojia, Charles³

INEDs

CHA May-Lung, Laura *⁴ GBS, JP

CHAN Tze Ching, Ignatius BBS, JP

CHENG Mo Chi, Moses *⁴ GBS, JP

CHEUNG Kin Tung, Marvin * GBS, JP

HUI Chiu Chung, Stephen * JP

KWOK Chi Piu, Bill JP

LEE Kwan Ho, Vincent Marshall

LEE Tze Hau, Michael *

John Estmond STRICKLAND⁵ GBS, JP

John Mackay McCulloch WILLIAMSON

WONG Sai Hung, Oscar⁵

Committees

Audit Committee

CHEUNG Kin Tung, Marvin (Chairman)

LEE Kwan Ho, Vincent Marshall (Deputy Chairman)

CHAN Tze Ching, Ignatius

CHENG Mo Chi, Moses⁶

KWOK Chi Piu, Bill⁷

John Mackay McCulloch WILLIAMSON

Executive Committee

Ronald Joseph ARCULLI⁸ (Chairman)

CHOW Man Yiu, Paul²

KWOK Chi Piu, Bill

LEE Kwan Ho, Vincent Marshall

LI Xiaojia, Charles³

John Mackay McCulloch WILLIAMSON

Investment Advisory Committee

John Estmond STRICKLAND⁹ (Chairman)

WONG Sai Hung, Oscar⁹ (Deputy Chairman)

HUI Chiu Chung, Stephen

LEE Tze Hau, Michael

LUI Yin Tat, David

Committees (continued)

Nomination Committee

Ronald Joseph ARCULLI⁹ (Chairman)

CHAN Tze Ching, Ignatius

CHENG Mo Chi, Moses⁹

John Estmond STRICKLAND⁹

WONG Sai Hung, Oscar⁹

Panel Member Nomination Committee

CHA May-Lung, Laura⁹ (Chairman)

KWOK Chi Piu, Bill

LEE Kwan Ho, Vincent Marshall

LEE Tze Hau, Michael

WONG Sai Hung, Oscar⁹

Remuneration Committee

Ronald Joseph ARCULLI⁹ (Chairman)

CHA May-Lung, Laura⁹

CHENG Mo Chi, Moses⁹

LEE Kwan Ho, Vincent Marshall

John Mackay McCulloch WILLIAMSON

Risk Management Committee^Δ

Ronald Joseph ARCULLI⁸ (Chairman)

CHAN Ka-lok **

CHEUNG Kin Tung, Marvin

FONG Hup **

HUNG Pi Cheng, Benjamin **¹⁰

KWOK Chi Piu, Bill

LAU Ying Pan, Edmond **

LUI Kei Kwong, Keith **

Mark Seumas McCOMBE **¹¹

WONG Tung Shun, Peter **¹²

Corporate Social Responsibility Committee

LI Xiaojia, Charles³ (Chairman)

CHOW Man Yiu, Paul² (ex-Chairman)

CHOW Lok Sum, Eddie¹³

Peter Joseph CURLEY¹⁴

MAU Kam Shing, Joseph

WONG Kwok Kuen, Alfred

YEN Tai Mui, Brenda

Company Secretary

MAU Kam Shing, Joseph

Notes:

* Government Appointed Directors

** Appointed by the Financial Secretary

Δ Established under Section 65 of the SFO

1 Re-appointed as Director and Chairman on 22 and 27 April 2010 respectively

2 Retired on 16 January 2010

3 Appointment effective 16 January 2010

4 Re-appointment effective 22 April 2010

5 Re-elected on 22 April 2010

6 Appointment ceased effective 23 April 2010

7 Appointment effective 23 April 2010

8 Re-appointment effective 27 April 2010

9 Re-appointment effective 23 April 2010

10 Appointment ceased effective 20 January 2010

11 Appointment effective 28 July 2010

12 Appointment for the period from 20 January 2010 to 27 July 2010

13 Retired on 1 June 2010

14 Appointment ceased effective 1 August 2010

Board

Messrs John E Strickland and Oscar S H Wong were re-elected as Directors by Shareholders at the 2010 AGM each for a term of approximately 3 years from 22 April 2010 until the conclusion of the annual general meeting to be held in 2013. On the same day, the Financial Secretary re-appointed Mr Ronald J Arculli, Mrs Laura M Cha and Dr Moses M C Cheng as Government Appointed Directors each for a term of approximately 2 years from close of the 2010 AGM until the conclusion of the annual general meeting to be held in 2012. The Board on 23 April 2010 re-appointed Mr Arculli as the Chairman and the Acting Chief Executive of the Hong Kong Special Administrative Region on 27 April 2010 approved the re-appointment.

Committees and Consultative Panels

On 23 April 2010, the Board resolved to change the composition of the Audit Committee.

On 12 May 2010, the Board re-appointed and appointed certain market practitioners as members to the Cash Market Consultative Panel, Derivatives Market Consultative Panel and Clearing Consultative Panel effective 1 June 2010. On 6 July 2010, the Board appointed Mr Stevenson S W Chan as a member of the Clearing Consultative Panel with immediate effect to fill the casual vacancy arising from the resignation of Mr John E Fildes. On 23 July 2010, the Financial Secretary appointed Mr Mark S McCombe to succeed Mr Peter T S Wong as a member of the Risk Management Committee effective 28 July 2010.

The updated member lists of various Committees and Consultative Panels are available on the HKEx website. The terms of service of Directors with the Committees and Panels are coterminous with their respective terms of directorship with HKEx.

Other Changes in Directors' Information

Other changes in Directors' information since the date of the 2009 Annual Report are set out below.

	Appointment (effective)	Cessation of office (effective)
Ronald J Arculli		
• The Hong Kong Award for Young People – honorary president	6 Jul 2010	–
Moses M C Cheng		
• Fortune Real Estate Investment Trust (“Trust”) was listed on the Stock Exchange effective 20 April 2010. Dr Cheng is a non-executive director of ARA Asset Management (Fortune) Limited (“Fortune”) which is Trust’s manager, and ARA Asset Management Limited (“ARA”) which is the holding company of Fortune. Both Trust and ARA are listed on the Singapore Exchange.	–	–
Bill C P Kwok		
• SFC – member of Takeovers and Mergers Panel and Takeovers Appeal Committee	–	1 Apr 2010
Michael T H Lee		
• Tai Ping Carpets International Limited – non-executive director	–	18 Jun 2010
Charles X Li		
• China Vanke Co Ltd (listed on the Shenzhen Stock Exchange) – non-executive director	–	10 Aug 2010
John E Strickland		
• Hong Kong Cyberport Management Company Limited – chairman	–	5 Jun 2010
Oscar S H Wong		
• ARN Investment Sicav (listed on the Luxembourg Stock Exchange) – non-executive director	15 Jun 2010	–

Directors' updated biographies are available on the HKEx website.

Non-executive Directors' Remuneration

At the 2010 AGM, the Shareholders approved the remuneration of \$500,000 and \$350,000 per annum be payable to the Chairman and each of the other non-executive Directors respectively, and an attendance fee of \$2,500 per meeting (in addition to the current remuneration of \$50,000 per annum) be payable to the chairman and every member (excluding executive Director) of the Audit Committee, Executive Committee, Investment Advisory Committee and Remuneration Committee. The above remuneration will remain in effect until otherwise determined in general meeting.

Share Award Granted to the Chief Executive

On 23 April 2010, the Board resolved to grant an amount of \$9 million for the purchase of HKEx shares to be awarded to Mr Charles X Li, the Executive Director and the Chief Executive, conditional upon the changes in the vesting period and vesting timetable of the Awarded Shares and related income under the Share Award Scheme becoming effective. The relevant information is set out in the Share Award Scheme section under the Operational Review of this interim report.

Save for those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Main Board Listing Rules.

BUSINESS REVIEW

Listing

New Listing Rules for Mineral Companies

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

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

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

Review of Other Proposals

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

Enhancement of Continuing Disclosure Regime

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

Cash Market

Market Performance

In the first six months of 2010, 28 (including 2 that transferred from GEM) and 2 companies were newly listed on the Main Board and GEM respectively, and 3 Main Board and 2 GEM companies were delisted. Total capital raised reached \$168.0 billion (including funds raised through IPOs of \$50.4 billion). As at 30 June 2010, 1,170 and 174 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about \$17,131.1 billion. In addition, there were 4,114 DWs, 1,020 CBBCs, 8 REITs, 62 ETFs and 158 debt securities listed as at 30 June 2010. The average daily turnover in the first six months of 2010 was about \$63.2 billion on the Main Board and about \$0.6 billion on GEM.

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

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

* According to HSIL

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

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

* According to HSIL

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

Number of Listed Securities – Main Board and GEM

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

Market Value by Type of Securities – Main Board and GEM

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

* Nominal value

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

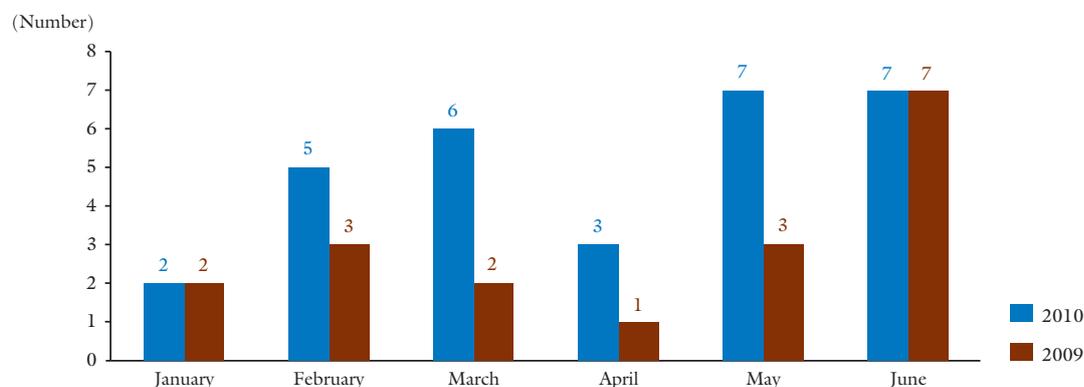
Turnover Value by Type of Securities – Main Board and GEM

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

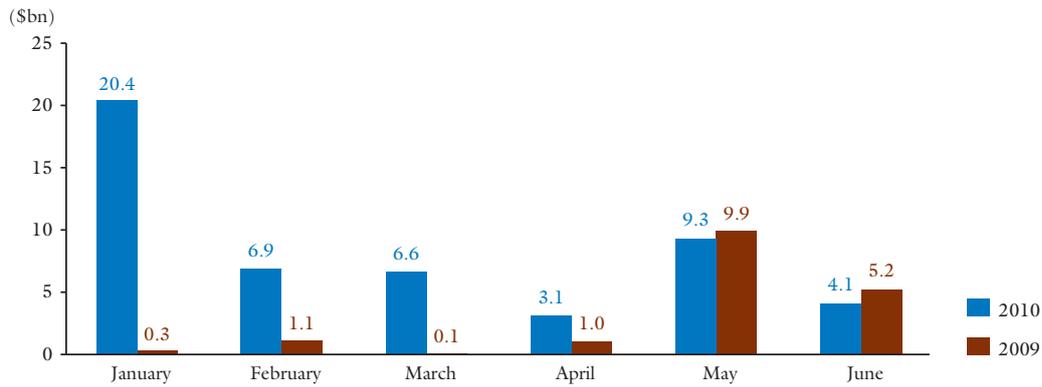
* Figures include turnover value of debt securities (six months ended 30 June 2010 and 30 June 2009: approximately \$1 million and \$3 million respectively).

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

Newly Listed Companies – Main Board and GEM

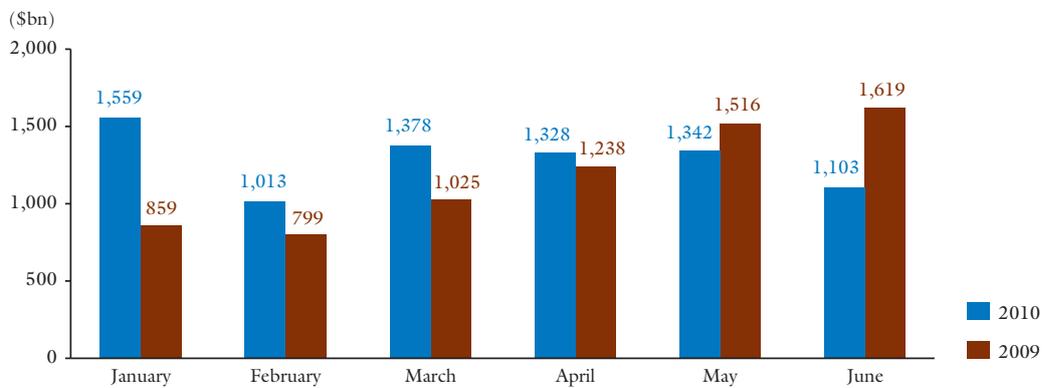


IPO Funds Raised by Newly Listed Companies – Main Board and GEM



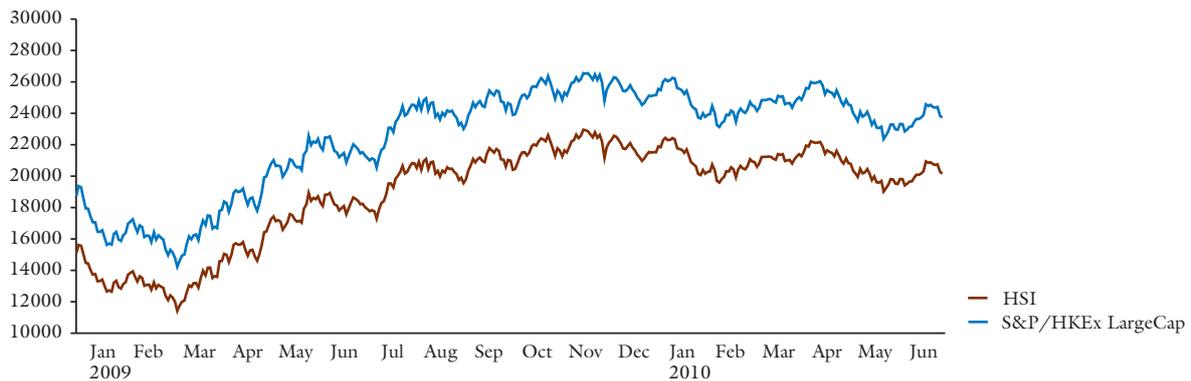
Note: Figures have been rounded.

Turnover Value – Main Board and GEM



Note: Figures have been rounded.

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



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



Automation of Stamp Duty Reporting and Payment

The automation of stamp duty reporting and payment project is aimed at streamlining EPs' operations as well as reducing paper consumption. It is scheduled to be implemented in September this year subject to market readiness.

ETF Market Development

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

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

Derivatives Market

Market Performance

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

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

Products	Daily Volume		Open Interest	
	Date	Number of contracts	Date	Number of contracts
Mini H-shares Index Futures	27 May	7,914	25 May	2,253
Mini-HSI Options	N/A	N/A	28 Jun	11,147
Flexible H-shares Index Options	10 Feb	200	25 Feb	200

Average Daily Volume of Major Derivatives Products

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

* Launched on 8 February 2010

Open Interest of Major Derivatives Products

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

* Launched on 8 February 2010

Launch of Flexible Index Options

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

Greater Flexibility for Block Trade Execution

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

More Choice for Investors in Stock Options Market

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

Introduction of Options on A-Share Related ETFs

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

Study of Dividend Point Indexes Futures

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

Clearing

CCASS Statistics (six months ended 30 June)

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

New Corporate Communications Arrangement

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

DCASS Service Enhancement

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

Expansion of Custody and Nominee Services to OTC Structured Products

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

T+2 Finality for Stock Exchange Trades

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

Scripless Securities Market

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

Participant Services

Non-transferability of Trading Rights

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

Participant Training and Market Education

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

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

EP Recruitment

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

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

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

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

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

Market Data

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

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

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

Real-time Market Data Marketing Programme in Mainland

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

HKEx Market Data Collaboration Programme with SZSE

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

Risk Management

Enhancements to Holiday Margin Arrangements

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

Enhanced Process for Provision of Financial Return Information

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

Market Surveillance

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

Information Technology

Production System Stability and Reliability

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

System Capacity Planning and Upgrade

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

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

The capacity and technology for HKATS, DCASS, PRS and their satellite applications of the Derivatives Market are also being upgraded.

Obsolete Technology Replacement and Upgrade

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

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

System Consolidation and Operational Efficiency

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

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

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

Independent Review of Cash and Derivatives Market Systems

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

HKEx Data Centre and IT Office Consolidation

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

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

Market Development

Promotion of Listing in Hong Kong

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

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

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

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

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

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

Promotion of HKEx's Markets

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

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

Overseas and Retail Investor Participation in HKEx's Securities Market

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

Treasury

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

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

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

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

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

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

Credit exposure is well diversified. The Group's bond portfolio (which includes certain principal-guaranteed structured notes) held is of investment grade and, as at 30 June 2010, had a weighted average credit rating of Aa2 (31 March 2010: Aa2) and a weighted average maturity of 2.2 years (31 March 2010: 2.3 years). Deposits (which include certain principal-guaranteed structured deposits) are placed only with the note-issuing banks in Hong Kong, investment grade licensed banks and restricted licence banks approved by the Board from time to time.

Risk management techniques, such as Value-at-Risk ("VaR") and portfolio stress testing, are used to identify, measure, monitor and control market risks. VaR measures the expected maximum loss over a given time interval (a holding period of 10 trading days is used by the Group) at a given confidence level (95 per cent confidence interval is adopted by the Group) based on historical data (1 year is used by the Group). The overall risk, as measured by the VaR methodology, during the second quarter of 2010 and the first quarter of 2010 was as follows:

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

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

FINANCIAL REVIEW

Overall Performance

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

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

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

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

Revenue and Other Income

(A) Income Affected by Market Turnover

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

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

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

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

Key Market Indicators

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

(B) Stock Exchange Listing Fees

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

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

Key Drivers for Annual Listing Fees

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

Key Drivers for Initial and Subsequent Issue Listing Fees

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

(C) Income from Sale of Information

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

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

(D) Other Revenue

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

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

(E) Net Investment Income

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

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

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

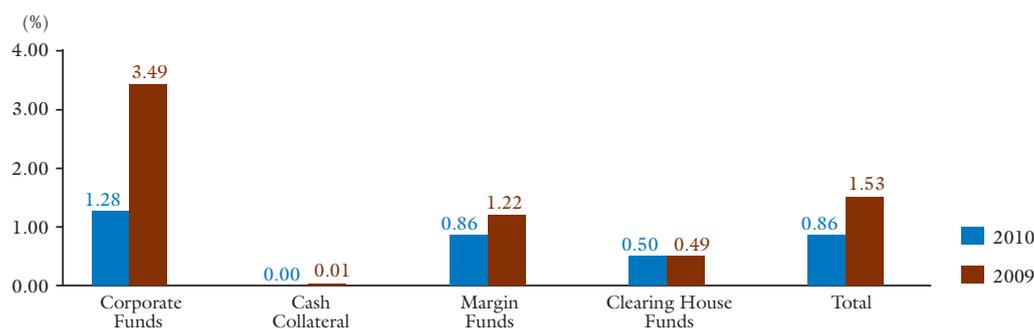
The average amount of Corporate Funds increased as the profit generated in the second half of 2009 was higher than that in the corresponding period in 2008, and the dividend relating to which was not distributed until May 2010.

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

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

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

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

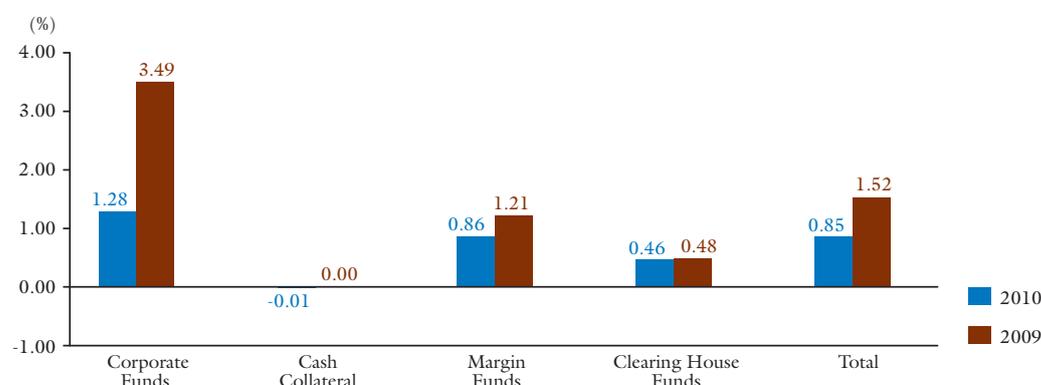
Annualised Gross Return on Funds Available for Investment

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

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

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

Annualised Net Return on Funds Available for Investment



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

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

Operating Expenses

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

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

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

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

Taxation

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

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

Comparison of 2010 Second Quarter Performance with 2010 First Quarter Performance

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

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

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

Key Market Indicators

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

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

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

Working Capital

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

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes. As at 30 June 2010, the Group's total available banking facilities amounted to \$9,050 million (31 December 2009: \$9,050 million), of which \$9,000 million (31 December 2009: \$9,000 million) was repurchase facilities.

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

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

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

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

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

Charges on Assets

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

As at 30 June 2010, the aggregate net open foreign currency positions amounted to HK\$2,295 million, of which HK\$212 million were non-USD exposures (31 December 2009: HK\$3,140 million, of which HK\$193 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK\$3,629 million (31 December 2009: HK\$3,405 million). All forward foreign exchange contracts would mature within 2 months (31 December 2009: 2 months).

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

Contingent Liabilities

Details of contingent liabilities are included in note 27 to the condensed consolidated accounts of this interim report.

Changes since 31 December 2009

There were no other significant changes in the Group's financial position and from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2009.

OPERATIONAL REVIEW

Organisational Changes

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

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

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

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

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

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

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

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

Employees

HKEx's success relies heavily on our employees' commitment and concerted efforts to achieve corporate objectives. HKEx's remuneration policy is built on the principle of providing an equitable, performance-oriented, motivating and market-competitive remuneration package to each employee. This package comprises a base salary, a provident fund, group medical and group life insurances, and a bonus determined by the performance of the individual as well as that of the Group. In addition, a long-term incentive in the form of Awarded Shares is offered to retain key employees. Details of the Awarded Shares are provided in the Share Award Scheme section below.

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

As at the end of June 2010, the Group had 863 employees, including 10 temporary staff (31 December 2009: 850 employees, including 9 temporary staff). Further information regarding employees' remuneration and benefits is set out in note 7 to the condensed consolidated accounts of this interim report.

Share Option Schemes

The Pre-Listing Scheme and the Post-Listing Scheme expired on 30 May 2010. Any unexercised options under the Post-Listing Scheme shall however continue to be valid and exercisable subject to the provisions of the scheme until the end of the respective exercise periods.

Details of the movement in the share options granted under the Share Option Schemes during the six-month period and outstanding as at 30 June 2010 are set out below.

Pre-Listing Scheme

Date of grant	Exercise price \$	Number of shares issuable under the options				Exercise ² period
		As at 1 Jan 2010	Issued upon ¹ subscription during the six months ended 30 Jun 2010	Cancelled/ lapsed during the six months ended 30 Jun 2010	As at 30 Jun 2010	
Employees ³ 20 Jun 2000	6.88	114,000	114,000	–	–	6 Mar 2002 – 30 May 2010

Post-Listing Scheme

Date of grant	Exercise price \$	Number of shares issuable under the options				Exercise ⁵ period
		As at 1 Jan 2010	Issued upon ⁴ subscription during the six months ended 30 Jun 2010	Cancelled/ lapsed during the six months ended 30 Jun 2010	As at 30 Jun 2010	
Employees³						
31 Mar 2004	16.96	1,020,000	468,000	–	552,000	31 Mar 2006 – 30 Mar 2014
17 May 2004	15.91	100,000	–	–	100,000	17 May 2006 – 16 May 2014
26 Jan 2005	19.25	2,122,500	1,143,000	–	979,500	26 Jan 2007 – 25 Jan 2015

Notes:

- 1 The weighted average closing price immediately before the dates on which the options were exercised was \$126.79.
- 2 All options granted had been exercised before the end of the exercise period.
- 3 Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance of Hong Kong.
- 4 The weighted average closing price immediately before the dates on which the options were exercised was \$133.32.
- 5 Options granted are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary, and they become fully vested effective the fifth anniversary of the grant. All shares that might be issued under the Post-Listing Scheme were fully vested.

Share Award Scheme

The Share Award Scheme was approved by the Board on 14 September 2005 (“Adoption Date”).

On 23 April 2010, the Board resolved to change: (a) the vesting period of the Awarded Shares and related income under the Share Award Scheme from 5 years to 3 years, and (b) the vesting timetable is accordingly changed to 50 per cent of the Awarded Shares and related income per annum in the second and third anniversary of the date of grant. The amended and restated rules relating to the Share Award Scheme took effect on 13 May 2010 but they are not applicable to the Awarded Shares granted prior to 13 May 2010. The amended and restated rules together with the trust deed of the Share Award Scheme are available on the HKEx website.

On 23 April 2010, the Board also resolved to provide an amount of \$92.6 million for the purchase of HKEx shares to be awarded to selected employees, including the Chief Executive and employees who are about to join.

Since the Adoption Date, a total of 2,207,984 shares have been awarded up to the date of this interim report, representing about 0.21 per cent of the issued share capital of HKEx as at the Adoption Date. Details of the Awarded Shares are set out below.

Date of approval by Board	Date of ¹ award	Awarded ¹ sum \$'000	Number of shares purchased	Number of Awarded Shares	Average fair value per share \$	Number of Awarded Shares vested during the six months ended 30 Jun 2010	Vesting period
19 Dec 2005	19 Dec 2005	N/A	960,000	960,000	31.20	-	19 Dec 2007 – 19 Dec 2010
13 Dec 2006	15 Jan 2007	19,673	272,500	272,465 ²	72.28	5,764 ³	13 Dec 2008 – 13 Dec 2011
14 Feb 2007	7 Jun 2007	600	7,000	7,000	81.33	1,750	16 Apr 2009 – 16 Apr 2012
15 May 2007	17 Jul 2007	600	5,500	5,500	102.29	1,375	18 Jun 2009 – 18 Jun 2012
12 Dec 2007	4 Feb 2008	26,300	151,000	150,965	163.72	-	12 Dec 2009 – 12 Dec 2012
18 Feb 2008	7 Apr 2008	612	4,200	4,200 ⁴	144.18	4,200 ³	18 Feb 2010 – 18 Feb 2013
10 Dec 2008	3 Feb 2009	4,900	59,900	59,900	81.96	-	1 Jan 2011 – 1 Jan 2014
23 Apr 2010	10 Jun 2010	88,516	720,100	720,054 ⁵	123.29	-	13 May 2012 – 13 May 2013
23 Apr 2010	9 Jul 2010	840	6,900	6,900	121.88	-	10 Jun 2012 – 10 Jun 2013
23 Apr 2010	9 Jul 2010	2,520	21,000	21,000	120.32	-	2 Jul 2012 – 2 Jul 2013

Notes:

- 1 Prior to 16 August 2006, the date of award refers to the date on which the Board determined such number of shares awarded to the selected employees. Following the amendments to the rules of the Share Award Scheme which took effect on 16 August 2006, the date of award refers to the date on which the trustee allocated such number of Awarded Shares to the selected employees from the total number of shares purchased with the sum determined by the Board.
- 2 11,528 shares were awarded to HKEx's former Chief Executive, Mr Paul Chow ("Mr Chow").
- 3 According to the terms of the Share Award Scheme, a total of 10,915 shares, including 9,964 Awarded Shares and 951 further shares acquired through reinvesting dividends received, were vested and transferred to Mr Chow on 15 January 2010, the date immediately prior to his retirement.
- 4 The shares were awarded to Mr Chow.
- 5 73,217 shares were awarded to HKEx's Chief Executive, Mr Charles Li.

As at 30 June 2010, taking into account the further shares acquired by reinvesting the dividend income received in respect of the shares held under the trust, there were a total of 1,399,493 shares held in trust by the trustee under the Share Award Scheme.

Corporate Governance

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

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

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

CSR Development

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

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

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

PROSPECTS

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

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

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

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

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

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

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

Ronald Joseph ARCULLI
Chairman

Hong Kong, 11 August 2010

DISCLOSURE OF INTERESTS

Compliance with Model Code

HKEx has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. In response to the specific enquiry by the Company, all Directors confirmed that they complied with the Model Code throughout the six months ended 30 June 2010.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of HKEx

As at 30 June 2010, the Directors' and the Chief Executive's interests and short positions in the shares and underlying shares of HKEx (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEx and the Exchange pursuant to the Model Code are set out below.

Long Positions in Shares and Underlying Shares of HKEx

Name of Director	Number of shares/underlying shares held				Total	% of the issued ¹ share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Charles X Li	73,217 ²	–	–	–	73,217	0.01
John E Strickland	18,000 ³	–	–	–	18,000	0.00

Notes:

- 1 It was based on 1,077,915,346 shares of HKEx in issue as at 30 June 2010.
- 2 The beneficial interest of the relevant Awarded Shares and income derived therefrom are subject to a vesting scale of 50 per cent each per annum starting from the second anniversary and fully vested in the third anniversary of the date of grant on 13 May 2010.
- 3 Mr Strickland was the beneficial owner of those shares.

Save for those disclosed above, as at 30 June 2010, none of the Directors or the Chief Executive had any interests or short positions in the shares, underlying shares or 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 under Section 352 of the SFO, or as otherwise notified to HKEx and the Exchange pursuant to the Model Code.

Apart from the Share Option Schemes and the Share Award Scheme, at no time during the period under review, was HKEx or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, HKEx or any other body corporate. Save for the disclosed, none of the Directors or the Chief Executive (including their spouses and children under the age of 18), during the six months ended 30 June 2010, held any interests in or was granted any right to subscribe for the securities of HKEx and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Other Persons' Interests and Short Positions in Shares and Underlying Shares of HKEx

As at 30 June 2010, other persons' interests and short positions in the shares and underlying shares of HKEx (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEx and the Exchange are set out below.

Long Positions in Shares and Underlying Shares of HKEx

Name	Capacity	Number of shares/ underlying shares held	Total	% of the issued ¹ share capital
The Government of the Hong Kong Special Administrative Region (for the account of the Exchange Fund)	Beneficial owner	62,919,500 ²	62,919,500	5.84

Notes:

- 1 It was based on 1,077,915,346 shares of HKEx in issue as at 30 June 2010.
- 2 This was based on a disclosure of interest filing made by the Hong Kong Government on 10 September 2007 which it stated was voluntary.

Save for those disclosed above, as at 30 June 2010, no other persons had any interests or short positions in the shares or underlying shares of HKEx as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEx and the Exchange.

Minority Controller

Under Section 61 of the SFO, no person shall be or become a Minority Controller, ie, a person who either alone or with any associated person or persons, is entitled to exercise, or control the exercise of, 5 per cent or more of the voting power at any general meeting of the recognised exchange controller, except with the SFC's approval in writing after consultation with the Financial Secretary.

Since 7 September 2007, the Hong Kong Government has become a Minority Controller. According to the Hong Kong Government, the provisions of Section 61 of the SFO do not expressly, or by necessary implication, bind the Hong Kong Government and accordingly by virtue of Section 66 of the Interpretation and General Clauses Ordinance the provisions of Section 61 of the SFO, requiring a person becoming a minority controller to obtain the approval of the SFC, do not affect the right of and are not binding on the Hong Kong Government.

As at the date of this interim report, the SFC has only granted approval to 6 entities to be Minority Controllers, on the basis that the shares are held by them in custody for their clients. According to the Participant Shareholding Report as at 30 June 2010, the 6 approved Minority Controllers in aggregate held approximately 62 per cent (30 June 2009: 67 per cent) of HKEx's issued share capital.

Purchase, Sale or Redemption of HKEx's Listed Securities

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

INFORMATION FOR STAKEHOLDERS

Interim Report

This interim report is printed in English and Chinese and is available on the Investor Relations section of the HKEx website. Shareholders can elect to receive printed or electronic copies. Should Shareholders elect electronic means, HKEx will donate \$50 to a charity with a focus on environmental protection, subject to a cap of \$100,000 per annum. A free printed version will be sent to Shareholders who have elected to receive electronic copies but for any reason have difficulty receiving or gaining access to them. Shareholders may at any time decide to change their choice of language or means of receipt of the Company's corporate communications free of charge by reasonable notice in writing to HKEx's registrar, Hong Kong Registrars Limited, or by email to the Company at communicationrequest@hkex.com.hk.

Interim Dividend

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

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

Relevant Dates for the Interim Dividend Payment

Ex-dividend date	25 August 2010
Book closure period	27 August – 31 August 2010 (both dates inclusive)
Record date	31 August 2010
Payment date	8 September 2010

Closure of Register of Members

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

Financial Calendar

2010 AGM	22 April 2010
Announcement of first quarter results	12 May 2010
Announcement of interim results	11 August 2010
Announcement of third quarter results	November 2010
Announcement of final results	March 2011

Share Information

Share Listing

First listed on the Stock Exchange	27 June 2000
As a HSI constituent stock	Since 11 September 2006
As a Hang Seng Corporate Sustainability Index Series constituent company	Since 26 July 2010

Board Lot 100 shares

Market Capitalisation as at 30 June 2010

Public float capitalisation	\$132.2 billion
Number of issued shares	1,077,915,346 shares
Closing price	\$122.60 per share

Stock Codes

Stock Exchange	388
Access to Reuters	0388.HK
Access to Bloomberg	388 HK Equity
WPK Number	A0NJY9
SEDOL1	6267359 HK
ISIN	HK0388045442
COMMON	035776478

American Depositary Receipt

Ticker Symbol	HKXCY
CUSIP	43858F109

Price and Turnover History

	Price per Share (\$)		Turnover * (in millions)	
	High	Low	Shares	\$
2009				
July	148.00	114.00	186.9	24,197.7
August	153.70	134.50	149.7	21,739.0
September	150.00	133.50	118.1	16,876.5
October	146.80	132.50	132.0	18,473.5
November	143.80	133.30	99.4	13,863.8
December	142.40	133.40	73.7	10,169.3
2010				
January	154.00	130.90	169.2	24,217.1
February	136.50	124.00	83.9	10,881.2
March	135.00	128.00	96.0	12,663.7
April	142.00	128.70	92.1	12,452.5
May	129.00	115.00	90.0	10,992.8
June	129.00	115.40	74.7	9,169.5

* Figures have been rounded.

HKEx's Registrar and Transfer Office

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AUDIT COMMITTEE REPORT

The Audit Committee (“AC”) comprises 5 INEDs, appointed by the Board, who have extensive experience in financial matters. Among them, Dr Marvin K T Cheung, Mr Vincent K H Lee and Mr Ignatius T C Chan are certified public accountants, and Mr John M M Williamson is a chartered accountant. None of the members is 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 the external and internal audits. In performing its duties, the AC is provided with sufficient resources to discharge its responsibilities and is supported by the Internal Audit Department (“IAD”) to examine all matters relating to the Group’s adopted accounting principles and practices and to review all material financial, operational and compliance controls. The external auditor, the Chief Executive and senior executives are invited to attend the AC meetings, as and when necessary. The AC is accountable to the Board and the minutes of all meetings are circulated to the Board for information. The AC’s terms of reference are available on the HKEx website.

At its meeting held on 23 February 2010, the AC reviewed the 2009 internal audit activities summary, assessed the effectiveness of the internal control system in detecting fraud and irregularities by reviewing the work of the IAD and its findings, and approved the internal audit plan for 2010. At its meeting held on 4 May 2010, the AC reviewed and approved the external auditor’s proposed audit scope and services fees for the financial year 2010.

On 10 August 2010, the AC reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2010 in conjunction with HKEx’s external and internal auditors. It also reviewed the independent review report of the external auditor as set out on page 43.

Based on these reviews and discussions with management, the AC is satisfied that the condensed consolidated financial statements have been prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the six months ended 30 June 2010. The AC therefore recommended the unaudited condensed consolidated financial statements for the six months ended 30 June 2010 be approved by the Board.

Members of the Audit Committee

CHEUNG Kin Tung, Marvin (Chairman)

LEE Kwan Ho, Vincent Marshall (Deputy Chairman)

CHAN Tze Ching, Ignatius

KWOK Chi Piu, Bill

John Mackay McCulloch WILLIAMSON

Hong Kong, 10 August 2010

AUDITOR'S INDEPENDENT REVIEW REPORT

Report on Review of Interim Financial Information to the Board of Directors of Hong Kong Exchanges and Clearing Limited

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 44 to 67, which comprises the condensed consolidated statement of financial position of Hong Kong Exchanges and Clearing Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2010 and the related condensed consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 30 Jun 2010	As restated Six months ended 30 Jun 2009	Three months ended 30 Jun 2010	As restated Three months ended 30 Jun 2009
	Note	\$m	\$m	\$m	\$m
Trading fees and trading tariff	3	1,285	1,216	632	720
Stock Exchange listing fees	4	425	327	204	174
Clearing and settlement fees		727	651	362	394
Depository, custody and nominee services fees		320	319	247	257
Income from sale of information		335	327	166	172
Other revenue	5	204	174	96	90
REVENUE		3,296	3,014	1,707	1,807
Investment income		159	327	33	192
Interest rebates to Participants		(1)	(2)	-	(1)
Net investment income	6	158	325	33	191
TURNOVER	2	3,454	3,339	1,740	1,998
OPERATING EXPENSES					
Staff costs and related expenses	7	421	409	212	227
Information technology and computer maintenance expenses	8	128	120	64	61
Premises expenses		105	112	52	58
Product marketing and promotion expenses		8	6	5	3
Legal and professional fees		6	7	4	3
Depreciation		53	48	26	23
Other operating expenses		55	58	28	31
	2	776	760	391	406
PROFIT BEFORE TAXATION	2	2,678	2,579	1,349	1,592
TAXATION	9	(420)	(392)	(218)	(239)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		2,258	2,187	1,131	1,353
Basic earnings per share	11(a)	\$2.10	\$2.04	\$1.05	\$1.26
Diluted earnings per share	11(b)	\$2.09	\$2.03	\$1.05	\$1.25

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital, share premium and shares held for Share Award Scheme (note 21) \$m	Employee share-based compensation reserve (note 22) \$m	Designated reserves (note 23) \$m	Retained earnings (note 24) \$m	Total equity \$m
At 1 Jan 2010	1,400	43	563	6,021	8,027
Total comprehensive income attributable to shareholders	–	–	–	2,258	2,258
2009 final dividend at \$2.09 per share	–	–	–	(2,251)	(2,251)
Unclaimed dividends forfeited	–	–	–	14	14
Shares issued under employee share option schemes	31	–	–	–	31
Shares purchased for Share Award Scheme	(91)	–	–	–	(91)
Vesting of shares of Share Award Scheme	2	(2)	–	–	–
Employee share-based compensation benefits	–	10	–	–	10
Transfer of reserves	7	(7)	6	(6)	–
At 30 Jun 2010	1,349	44	569	6,036	7,998

	Share capital, share premium and shares held for Share Award Scheme \$m	Employee share-based compensation reserve \$m	Other comprehensive income Revaluation reserve \$m	Designated reserves \$m	Retained earnings \$m	Total equity \$m
At 1 Jan 2009, as previously reported	1,357	47	97	552	5,243	7,296
Effect of changes in accounting policies (note 1)	–	–	–	–	(2)	(2)
At 1 Jan 2009, as restated	1,357	47	97	552	5,241	7,294
Total comprehensive income attributable to shareholders	–	–	(81)	–	2,187	2,106
2008 final dividend at \$1.80 per share	–	–	–	–	(1,935)	(1,935)
Unclaimed dividends forfeited	–	–	–	–	3	3
Shares issued under employee share option schemes	19	–	–	–	–	19
Shares purchased for Share Award Scheme	(7)	–	–	–	–	(7)
Vesting of shares of Share Award Scheme	1	(1)	–	–	–	–
Employee share-based compensation benefits	–	12	–	–	–	12
Transfer of reserves	5	(5)	–	5	(5)	–
At 30 Jun 2009, as restated	1,375	53	16	557	5,491	7,492

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	At 30 Jun 2010			As restated At 31 Dec 2009		
		Current	Non-	Total	Current	Non-	Total
		\$m	current \$m	\$m	\$m	\$m	\$m
ASSETS							
Cash and cash equivalents	12	15,666	–	15,666	14,738	–	14,738
Financial assets measured at fair value through profit or loss	13	10,678	1,185	11,863	12,466	1,559	14,025
Financial assets measured at amortised cost	14	4,712	1,179	5,891	4,157	768	4,925
Accounts receivable, prepayments and deposits	15	9,457	6	9,463	11,334	7	11,341
Fixed assets		–	279	279	–	303	303
Lease premium for land	16	–	26	26	–	–	–
Total assets		40,513	2,675	43,188	42,695	2,637	45,332
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits from Clearing Participants on derivatives contracts	17	18,696	–	18,696	20,243	–	20,243
Cash collateral from HKSCC Clearing Participants	18	3,700	–	3,700	3,432	–	3,432
Accounts payable, accruals and other liabilities	19	10,487	–	10,487	11,827	–	11,827
Deferred revenue		266	–	266	424	–	424
Taxation payable		483	–	483	261	–	261
Other financial liabilities		51	–	51	42	–	42
Participants' contributions to Clearing House Funds	20	1,154	282	1,436	723	276	999
Provisions		29	29	58	33	26	59
Deferred tax liabilities		–	13	13	–	18	18
Total liabilities		34,866	324	35,190	36,985	320	37,305
Equity							
Share capital	21			1,078			1,076
Share premium	21			412			376
Shares held for Share Award Scheme	21			(141)			(52)
Employee share-based compensation reserve	22			44			43
Designated reserves	20, 23			569			563
Retained earnings	24			6,036			6,021
Shareholders' funds				7,998			8,027
Total equity and liabilities				43,188			45,332
Net current assets				5,647			5,710
Total assets less current liabilities				8,322			8,347

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Note	Six months ended 30 Jun 2010 \$m	As restated Six months ended 30 Jun 2009 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash inflow from operating activities	25	3,023	2,531
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of fixed assets		(17)	(24)
Net proceeds from sales of fixed assets		1	–
Payments for acquisition of lease premium for land		(26)	–
Net (increase)/decrease in financial assets of the Corporate Funds:			
Increase in time deposits with original maturities more than three months		(606)	(470)
Payments for purchases of available-for-sale financial assets		–	(405)
Net proceeds from maturity of available-for-sale financial assets		–	2,059
Payments for purchases of financial assets measured at amortised cost (excluding bank deposits)		(230)	(761)
Net proceeds from sales or maturity of financial assets measured at amortised cost (excluding bank deposits)		377	–
Payments for purchases of financial assets measured at fair value through profit or loss		–	(800)
Net proceeds from sales of financial assets measured at fair value through profit or loss		372	–
Interest received from available-for-sale financial assets		–	151
Interest received from financial assets measured at amortised cost (excluding bank deposits)		8	–
Interest received from financial assets measured at fair value through profit or loss		99	11
Net cash outflow from investing activities		(22)	(239)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares under employee share option schemes		31	19
Purchases of shares for Share Award Scheme		(91)	(7)
Dividends paid		(2,236)	(1,922)
Net cash outflow from financing activities		(2,296)	(1,910)
Net increase in cash and cash equivalents		705	382
Cash and cash equivalents at 1 Jan		4,751	4,756
Cash and cash equivalents at 30 Jun		5,456	5,138
Analysis of cash and cash equivalents			
Cash collateral received – cash at bank		3,700	3,732
Cash at bank and in hand		959	929
Time deposits with original maturities within three months		797	477
Cash and cash equivalents at 30 Jun		5,456	5,138

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED)

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 2009 annual accounts. The accounting policies and methods of computation used in the preparation of these accounts and segment information are consistent with those used in the annual accounts and segment information for the year ended 31 December 2009.

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

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

- (a) certain available-for-sale financial assets with net revaluation surpluses were reclassified to financial assets measured at amortised cost under HKFRS 9. This resulted in a \$27 million reduction in revaluation reserve but did not have any impact on profit or loss. The decrease in revaluation reserve reflected the restatement of those assets from fair value to the lower amortised cost;
- (b) certain available-for-sale financial assets with net revaluation deficits of \$14 million were reclassified to financial assets measured at fair value through profit or loss under HKFRS 9. The deficit was transferred to profit or loss under net investment income and hence retained earnings;
- (c) prior to the fourth quarter of 2009, the leasehold building was measured at valuation less accumulated depreciation. In the fourth quarter of 2009, the accounting policy of leasehold building was changed to cost less accumulated depreciation and this change has been applied retrospectively. Retained earnings therefore decreased by \$2 million as the accumulated depreciation charges were computed based on the cost of the leasehold building, which was higher than the valuation before the change in accounting policy; and
- (d) the net decrease in revaluation reserve as a result of the reclassification of financial assets in notes (a) and (b) above resulted in a \$2 million decrease in deferred tax liability and a corresponding increase in revaluation reserve.

The impact of the above changes is summarised below:

Effects on equity as at 30 June 2009

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

1. Basis of Preparation and Accounting Policies (continued)

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

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

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

Change in presentation of consolidated statement of financial position

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

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

2. Operating Segments

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

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

The **Cash Market** business mainly refers to the operations of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), which covers all products traded on the Cash Market platforms, such as equities, callable bull/bear contracts ("CBBCs") and derivative warrants ("DWs"). 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. Results of the Listing Function are included in the Cash Market. Stock Exchange listing fees and costs of the Listing Function are further explained in note 4.

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

2. Operating Segments (continued)

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 (“SEKCH”) and HKFE Clearing Corporation Limited (“HKCC”), which are responsible for clearing, settlement and custodian activities of the Cash and Derivatives Markets operated by the Group. Its income is derived primarily from net investment income earned on the Clearing House Funds and fees from providing clearing, settlement, depository, custody and nominee services.

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

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

	Six months ended 30 Jun 2010					
	Cash Market	Derivatives Market	Clearing Business	Market Data	Inter-segment elimination (note (a))	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Income from external customers	1,492	356	1,112	336	-	3,296
Net investment income	36	106	22	-	(6)	158
	1,528	462	1,134	336	(6)	3,454
Operating expenses						
Direct costs	309	80	162	29	(6)	574
Indirect costs	100	27	61	14	-	202
	409	107	223	43	(6)	776
Reportable segment profit before taxation	1,119	355	911	293	-	2,678
	As restated					
	Six months ended 30 Jun 2009					
	Cash Market	Derivatives Market	Clearing Business	Market Data	Inter-segment elimination (note (a))	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Income from external customers	1,292	362	1,034	326	-	3,014
Net investment income	59	197	74	1	(6)	325
	1,351	559	1,108	327	(6)	3,339
Operating expenses						
Direct costs	305	83	171	25	(6)	578
Indirect costs	85	28	56	13	-	182
	390	111	227	38	(6)	760
Reportable segment profit before taxation	961	448	881	289	-	2,579

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

3. Trading Fees and Trading Tariff

	Six months ended 30 Jun 2010 \$m	Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2009 \$m
Trading fees and trading tariff were derived from:				
Securities traded on the Cash Market	901	829	437	510
Derivatives contracts traded on the Derivatives Market	384	387	195	210
	1,285	1,216	632	720

4. Stock Exchange Listing Fees

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

	Six months ended 30 Jun 2010				Six months ended 30 Jun 2009			
	Equity		CBBs, DWs & others \$m	Total \$m	Equity		CBBs, DWs & others \$m	Total \$m
Main Board \$m	GEM \$m	Main Board \$m			GEM \$m			
Stock Exchange Listing Fees								
Annual listing fees	181	12	1	194	164	12	1	177
Initial and subsequent issue listing fees	33	2	194	229	31	1	116	148
Other listing fees	2	-	-	2	2	-	-	2
Total	216	14	195	425	197	13	117	327
Costs of Listing Function								
Direct costs	114	26	9	149	116	25	9	150
Indirect costs	20	3	6	29	19	3	4	26
Total costs	134	29	15	178	135	28	13	176
Contribution to Cash Market Segment Profit before Taxation	82	(15)	180	247	62	(15)	104	151

4. Stock Exchange Listing Fees (continued)

	Three months ended 30 Jun 2010				Three months ended 30 Jun 2009			
	Equity		CBBCs, DWs & others	Total	Equity		CBBCs, DWs & others	Total
	Main Board	GEM			Main Board	GEM		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Stock Exchange Listing Fees								
Annual listing fees	91	6	1	98	83	6	1	90
Initial and subsequent issue listing fees	17	1	87	105	12	1	70	83
Other listing fees	1	-	-	1	1	-	-	1
Total	109	7	88	204	96	7	71	174
Costs of Listing Function								
Direct costs	56	13	5	74	63	14	5	82
Indirect costs	10	1	3	14	11	1	3	15
Total costs	66	14	8	88	74	15	8	97
Contribution to Cash Market Segment Profit before Taxation	43	(7)	80	116	22	(8)	63	77

Listing fee income is primarily 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 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.

5. Other Revenue

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

6. Net Investment Income

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

7. Staff Costs and Related Expenses

Staff costs and related expenses comprised the following:

	Six months ended 30 Jun 2010 \$m	Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2009 \$m
Salaries and other short-term employee benefits	380	367	190	207
Employee share-based compensation benefits	10	12	7	5
Retirement benefit costs (note 28(b))	31	30	15	15
	421	409	212	227

8. Information Technology and Computer Maintenance Expenses

	Six months ended 30 Jun 2010 \$m	Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2009 \$m
Costs of services and goods:				
– consumed by the Group	70	70	35	36
– directly consumed by Participants	58	50	29	25
	128	120	64	61

9. Taxation

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

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

10. Dividends

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

11. Earnings Per Share

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

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

12. Cash and Cash Equivalents

	At 30 Jun 2010 \$m	At 31 Dec 2009 \$m
Cash and cash equivalents:		
– Cash collateral received (note 18)	3,700	3,432
– Corporate Funds	1,756	1,319
	5,456	4,751
– Clearing House Funds (note 20)	1,782	1,280
– Margin Funds (note 17)	8,428	8,707
(note (a))	10,210	9,987
	15,666	14,738

- (a) The cash and cash equivalents of the Clearing House Funds and Margin Funds are held in segregated accounts for specific purposes and therefore are not included in cash and cash equivalents of the Group for cash flow purpose in the condensed consolidated statement of cash flows.

13. Financial Assets Measured at Fair Value through Profit or Loss

	At 30 Jun 2010			
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Corporate Funds \$m	Total \$m
<u>Mandatorily measured at fair value</u>				
Equity securities:				
– listed in Hong Kong	–	–	32	32
– listed outside Hong Kong	–	–	150	150
	–	–	182	182
Debt securities:				
– listed in Hong Kong	–	–	77	77
– listed outside Hong Kong	128	285	1,870	2,283
– unlisted	279	5,589	2,163	8,031
	407	5,874	4,110	10,391
Mutual funds:				
– listed outside Hong Kong	–	–	69	69
Derivative financial instruments:				
– forward foreign exchange contracts	–	–	37	37
Bank deposits with embedded derivatives	–	983	201	1,184
	407	6,857	4,599	11,863
The expected recovery dates of the financial assets are analysed as follows:				
More than twelve months	–	–	1,185	1,185
Within twelve months (note (a))	407	6,857	3,414	10,678
	407	6,857	4,599	11,863

13. Financial Assets Measured at Fair Value through Profit or Loss (continued)

	At 31 Dec 2009			
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Corporate Funds \$m	Total \$m
<u>Mandatorily measured at fair value</u>				
Equity securities:				
– listed in Hong Kong	–	–	23	23
– listed outside Hong Kong	–	–	157	157
	–	–	180	180
Debt securities:				
– listed in Hong Kong	–	–	68	68
– listed outside Hong Kong	130	290	1,866	2,286
– unlisted	280	6,557	2,455	9,292
	410	6,847	4,389	11,646
Mutual funds:				
– listed outside Hong Kong	–	–	75	75
Derivative financial instruments:				
– equity index futures contracts, listed outside Hong Kong	–	–	1	1
– forward foreign exchange contracts	–	–	17	17
	–	–	18	18
Bank deposits with embedded derivatives	–	1,826	280	2,106
	410	8,673	4,942	14,025
The expected recovery dates of the financial assets are analysed as follows:				
More than twelve months	–	–	1,559	1,559
Within twelve months (note (a))	410	8,673	3,383	12,466
	410	8,673	4,942	14,025

- (a) Included financial assets maturing after twelve months of \$407 million (31 December 2009: \$410 million) and \$5,112 million (31 December 2009: \$5,975 million) attributable to Clearing House Funds and Margin Funds respectively that could readily be liquidated to meet liquidity requirements of the respective Funds.

14. Financial Assets Measured at Amortised Cost

	At 30 Jun 2010			
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Corporate Funds \$m	Total \$m
	Debt securities:			
– listed outside Hong Kong	–	–	203	203
– unlisted	–	–	946	946
	–	–	1,149	1,149
Time deposits with original maturities over three months	3	3,411	1,280	4,694
Other financial assets	–	–	48	48
	3	3,411	2,477	5,891
The expected recovery dates of the financial assets are analysed as follows:				
More than twelve months	–	–	1,179	1,179
Within twelve months (note (a))	3	3,411	1,298	4,712
	3	3,411	2,477	5,891
	At 31 Dec 2009			
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Corporate Funds \$m	Total \$m
Debt securities:				
– listed outside Hong Kong	–	–	200	200
– unlisted	–	–	1,096	1,096
	–	–	1,296	1,296
Time deposits with original maturities over three months	51	2,854	674	3,579
Other financial assets	–	–	50	50
	51	2,854	2,020	4,925
The expected recovery dates of the financial assets are analysed as follows:				
More than twelve months	–	–	768	768
Within twelve months (note (a))	51	2,854	1,252	4,157
	51	2,854	2,020	4,925

- (a) Included time deposits maturing after twelve months of \$2 million (31 December 2009: \$2 million) and \$Nil (31 December 2009: \$954 million) attributable to the Clearing House Funds and Margin Funds respectively that could readily be liquidated to meet liquidity requirements of the respective Funds.

15. Accounts Receivable, Prepayments and Deposits

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

16. Lease premium for land

During the period ended 30 June 2010, the Group acquired a medium-term land lease at Tseung Kwan O in Hong Kong for the construction of a new data centre.

17. Margin Deposits from Clearing Participants on Derivatives Contracts

	At 30 Jun 2010 \$m	At 31 Dec 2009 \$m
Margin deposits from Clearing Participants comprised (note (a)):		
SEOCH Clearing Participants' margin deposits	2,808	2,567
HKCC Clearing Participants' margin deposits	15,888	17,676
	18,696	20,243
The margin deposits were invested in the following instruments for managing the obligations of the Margin Funds:		
Financial assets measured at fair value through profit or loss (note 13)	6,857	8,673
Financial assets measured at amortised cost (note 14)	3,411	2,854
Margin receivable from Clearing Participants	–	9
Cash and cash equivalents (note 12)	8,428	8,707
	18,696	20,243

(a) Amounts excluded non-cash collateral received and utilised as alternative to cash margin.

18. Cash Collateral from HKSCC Clearing Participants

HKSCC Clearing Participants are required to deposit cash collateral with HKSCC to cover the risk of potential losses arising from their unsettled securities transactions. The cash collateral received is held in savings accounts and forms part of the cash and cash equivalents of the Group (note 12).

19. Accounts Payable, Accruals and Other Liabilities

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

20. Clearing House Funds

	At 30 Jun 2010 \$m	At 31 Dec 2009 \$m
The Clearing House Funds were attributable to:		
Clearing Participants' contributions (note (a)):		
Due within twelve months	1,154	723
Due after twelve months	282	276
	1,436	999
Designated reserves (note 23)	569	563
	2,005	1,562
The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds (note (b)):		
Financial assets measured at fair value through profit or loss (note 13)	407	410
Financial assets measured at amortised cost (note 14)	3	51
Cash and cash equivalents (note 12)	1,782	1,280
	2,192	1,741
Less: Other financial liabilities of Clearing House Funds	(29)	(20)
	2,163	1,721
Provision for loss arising from closing-out losses of defaulting Participants	(158)	(159)
	2,005	1,562
The Clearing House Funds comprised the following Funds:		
HKSCC Guarantee Fund	219	219
SEOCH Reserve Fund	660	583
HKCC Reserve Fund	1,126	760
	2,005	1,562

- (a) Amounts excluded bank guarantees received and utilised as alternatives to cash contributions.
- (b) The Clearing House Funds were established to support the respective clearing houses (ie, HKSCC, HKCC and SEOCH) to fulfil their counterparty obligations in the event that one or more of their Clearing Participants fail to meet their obligations to the clearing houses. The HKSCC Guarantee Fund also provides resources to enable HKSCC to discharge the liabilities and obligations of defaulting Clearing Participants arising from depositing defective securities into the Central Clearing and Settlement System.

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

	At 30 Jun 2010 \$m		At 31 Dec 2009 \$m		
Authorised:					
2,000,000,000 shares of \$1 each	2,000		2,000		
Issued and fully paid:					
	Number of shares of \$1 each '000	Share capital \$m	Share premium \$m	Shares held for Share Award Scheme \$m	Total \$m
At 1 Jan 2009	1,073,940	1,075	347	(65)	1,357
Shares issued under employee share option schemes (note (a))	1,304	1	22	–	23
Transfer from employee share- based compensation reserve	–	–	7	–	7
Shares purchased for Share Award Scheme (note (b))	(90)	–	–	(9)	(9)
Vesting of shares of Share Award Scheme	361	–	–	22	22
At 31 Dec 2009	1,075,515	1,076	376	(52)	1,400
At 1 Jan 2010	1,075,515	1,076	376	(52)	1,400
Shares issued under employee share option schemes (note (a))	1,725	2	29	–	31
Transfer from employee share- based compensation reserve	–	–	7	–	7
Shares purchased for Share Award Scheme (note (b))	(738)	–	–	(91)	(91)
Vesting of shares of Share Award Scheme	14	–	–	2	2
At 30 Jun 2010	1,076,516	1,078	412	(141)	1,349

- (a) During the period, employee share options granted under the first share option scheme (“Pre-Listing Scheme”) and the second share option scheme (“Post-Listing Scheme”) were exercised to subscribe for 1,725,000 shares (year ended 31 December 2009: 1,304,000 shares) in HKEx at an average consideration of \$17.81 per share (year ended 31 December 2009: \$17.82 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 Share Award Scheme acquired 738,100 HKEx shares (year ended 31 December 2009: 89,700 shares) through purchases on the open market. The total amount paid to acquire the shares during the period was \$91 million (year ended 31 December 2009: \$9 million) and had been deducted from shareholders’ equity.

22. Employee Share-based Compensation Reserve

The Group operates two employee share option schemes and a Share Award Scheme. The employee share-based compensation expenses in relation to the options and share awards were charged to profit or loss under staff costs over the relevant vesting periods with a corresponding increase in employee share-based compensation reserve.

In April 2010, the Board resolved to amend the Share Award Scheme and change the vesting period of the Awarded Shares granted on or after 13 May 2010 from 5 years to 3 years. Accordingly, the shares would be vested in two equal tranches from the second to the third year after the shares are granted, as opposed to four equal tranches from the second to the fifth year prior to the change.

Details of Awarded Shares purchased during the six months ended 30 June 2010 are set out below:

Date of approval by Board	Date of award	Awarded Sum \$m	Number of shares purchased	Number of shares awarded	Average fair value per share \$	Vesting period
23 Apr 2010	10 Jun 2010	89	720,100	720,054	123.29	13 May 2012 – 13 May 2013
23 Apr 2010	9 Jul 2010	1	6,900	6,900	121.88	10 Jun 2012 – 10 Jun 2013

During the period, 11,100 HKEx shares (year ended 31 December 2009: 29,800 shares) were acquired through re-investing dividends received.

23. Designated Reserves

Designated reserves are segregated for their respective purposes and comprised the following:

	At 30 Jun 2010 \$m	At 31 Dec 2009 \$m
Clearing House Funds reserves		
– HKSCC Guarantee Fund reserve	123	122
– SEOCH Reserve Fund reserve	110	109
– HKCC Reserve Fund reserve	336	332
	569	563

24. Retained Earnings

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

25. Notes to the Condensed Consolidated Statement of Cash Flows

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

	Six months ended 30 Jun 2010 \$m	As restated Six months ended 30 Jun 2009 \$m
Profit before taxation	2,678	2,579
Adjustments for:		
Net interest income	(48)	(204)
Dividend income	(3)	(1)
Net realised and unrealised gains including interest income on financial assets measured at fair value through profit or loss, and financial assets and financial liabilities at fair value through profit or loss	(110)	(120)
Realised losses on disposal of financial assets measured at amortised cost of Corporate Funds	4	–
Depreciation	53	48
Employee share-based compensation benefits	10	12
Gain on disposal of fixed assets	(1)	–
Provision for impairment losses of trade receivables	1	–
Provision for impairment losses of fixed assets	–	1
Changes in provisions	(4)	(1)
Net decrease in Margin Fund financial assets	1,536	19,932
Net decrease in Margin Fund financial liabilities	(1,547)	(20,015)
Net increase in Clearing House Fund financial assets	(453)	(27)
Net increase in Clearing House Fund financial liabilities	446	23
Net increase in cash collateral received from HKSCC Clearing Participants	268	132
Net increase in financial assets measured at fair value through profit or loss, and financial assets and financial liabilities at fair value through profit or loss	(62)	(13)
Decrease in accounts receivable, prepayments and deposits	1,868	2,407
Decrease in other current liabilities	(1,502)	(2,105)
Net cash inflow from operations	3,134	2,648
Dividends received	2	1
Interest received from bank deposits	37	60
Interest received from financial assets measured at fair value through profit or loss and financial assets at fair value through profit or loss	53	58
Interest paid	(1)	(2)
Hong Kong Profits Tax paid	(202)	(234)
Net cash inflow from operating activities	3,023	2,531

26. Commitments

Commitments in respect of capital expenditures:

	At 30 Jun 2010 \$m	At 31 Dec 2009 \$m
Contracted but not provided for	11	1
Authorised but not contracted for	233	65
	244	66

The commitments in respect of capital expenditures were mainly for the upgrade and enhancement of trading and clearing systems, development and purchases of various other computer systems and, for 2010, the construction of a new data centre at Tseung Kwan O.

27. Contingent Liabilities

As at 30 June 2010, the Group's material contingent liabilities were as follows:

- (a) The Group had a contingent liability in respect of potential calls to be made by the Securities and Futures Commission ("SFC") to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding \$71 million (31 December 2009: \$72 million). Up to 30 June 2010, no calls had been made by the SFC in this connection.
- (b) The Stock Exchange had undertaken to indemnify the Collector of Stamp Revenue against any underpayment of stamp duty by its Participants of up to \$200,000 for each Participant. In the unlikely event that all of its 470 trading Participants covered by the indemnity as at 30 June 2010 (31 December 2009: 462) defaulted, the maximum contingent liability of the Stock Exchange under the indemnity would amount to \$94 million (31 December 2009: \$92 million).
- (c) HKEx had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEx or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEx, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEx, and for the costs of winding up.

28. Material Related Party Transactions

(a) Key management personnel compensation

	Six months ended 30 Jun 2010 \$m	Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2009 \$m
Salaries and other short-term employee benefits	38	39	19	21
Employee share-based compensation benefits	3	4	2	2
Retirement benefit costs	3	3	1	1
	44	46	22	24

(b) Post-retirement benefit plans

The Group has sponsored a defined contribution provident fund scheme (“ORSO Plan”) and a Mandatory Provident Fund scheme (“MPF Scheme”). The retirement benefit costs charged to the condensed consolidated income statement represent contributions paid and payable by the Group to the ORSO Plan and the MPF Scheme and related fees (note 7).

(c) Save as aforesaid, the Group has entered into other transactions in the ordinary course of business with companies that are related parties but the amounts were immaterial.

GLOSSARY

2010 AGM	Annual general meeting held on 22 April 2010
AMS/3	The Automatic Order Matching and Execution System/Third Generation
Awarded Shares	Shares awarded under the Share Award Scheme
BBS	Bronze Bauhinia Star
Board	Board of HKEx
CBBC(s)	Callable Bull/Bear Contract(s)
CCASS	The Central Clearing and Settlement System
CNS	Continuous Net Settlement
CSR	Corporate Social Responsibility
DCASS	The Derivatives Clearing and Settlement System
Director(s)	Director(s) of HKEx
DW(s)	Derivative Warrant(s)
eIPO	Electronic IPO
EP(s) or Participant(s)	Exchange Participant(s)
ETF(s)	Exchange Traded Fund(s)
Exchange or Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
Financial Secretary	Financial Secretary of the Hong Kong Government
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
GBM	Grand Bauhinia Medal
GBS	Gold Bauhinia Star
GEM	The Growth Enterprise Market
Government Appointed Directors	Directors appointed by the Financial Secretary pursuant to Section 77 of the SFO
Group	HKEx and its subsidiaries
HKATS	The Hong Kong Futures Automated Trading System
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKSCC	Hong Kong Securities Clearing Company Limited
Hong Kong Government	Government of the Hong Kong Special Administrative Region
H-shares Index or HSCEI	Hang Seng China Enterprises Index
HSI	Hang Seng Index
HSIL	Hang Seng Indexes Company Limited
INED(s)	Independent Non-executive Director(s)
IP(s)	Investor Participant(s)
IPO(s)	Initial Public Offering(s)
ISI(s)	Investor SI(s)
IT	Information Technology
IV(s)	Information Vendor(s)
JP	Justice of the Peace
Listing Rules	Main Board Listing Rules and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MDF	The Market Datafeed System
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules
MOU	Memorandum of Understanding
OTC	Over-the-counter
Post-Listing Scheme	Post-Listing Share Option Scheme approved by the Shareholders on 31 May 2000 which was subsequently amended by the Shareholders on 17 April 2002
Pre-Listing Scheme	Pre-Listing Share Option Scheme approved by the Shareholders on 31 May 2000
PRS	The Price Reporting System
REIT(s)	Real Estate Investment Trust(s)
RMB	Renminbi
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
Shareholders	Shareholders of HKEx
Share Award Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006 and 13 May 2010
Share Option Schemes	Pre-Listing Scheme and Post-Listing Scheme
SIs	Settlement Instructions
USD	United States Dollar
\$/HKD	Hong Kong Dollar

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