



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

2011 Interim Report

CONTENTS

(Financial figures in this Interim Report are expressed in HKD unless otherwise stated)

2	Financial Highlights
3	Major Events
4	Chairman’s Statement
6	Chief Executive’s Review
8	Board and Committees
	Management Discussion and Analysis
10	Business Review
25	Financial Review
33	Operational Review
38	Disclosure of Interests
41	Information for Stakeholders
44	Audit Committee Report
45	Auditor’s Independent Review Report
	Condensed Consolidated Financial Statements (Unaudited)
46	Condensed Consolidated Statement of Comprehensive Income (Unaudited)
47	Condensed Consolidated Statement of Financial Position (Unaudited)
48	Condensed Consolidated Statement of Changes in Equity (Unaudited)
49	Condensed Consolidated Statement of Cash Flows (Unaudited)
50	Notes to the Condensed Consolidated Accounts (Unaudited)
68	Glossary

FINANCIAL HIGHLIGHTS

	Six months ended 30 Jun 2011	Six months ended 30 Jun 2010	Change	Three months ended 30 Jun 2011	Three months ended 30 Jun 2010	Change
KEY MARKET STATISTICS						
Average daily turnover value on the Stock Exchange (\$bn)	73.6	63.8	15%	71.1	62.9	13%
Average daily number of derivatives contracts traded on the Futures Exchange	250,353	217,639	15%	254,175	223,654	14%
Average daily number of stock options contracts traded on the Stock Exchange	288,455	221,512	30%	276,966	237,708	17%

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Change	Three months ended 30 Jun 2011 \$m	Three months ended 30 Jun 2010 \$m	Change
RESULTS						
Revenue and other income	3,972	3,454	15%	2,065	1,740	19%
Operating expenses	916	776	18%	474	391	21%
Profit before taxation	3,056	2,678	14%	1,591	1,349	18%
Taxation	(472)	(420)	12%	(245)	(218)	12%
Profit attributable to shareholders	2,584	2,258	14%	1,346	1,131	19%
Basic earnings per share	\$2.40	\$2.10	14%	\$1.25	\$1.05	19%
Diluted earnings per share	\$2.39	\$2.09	14%	\$1.25	\$1.05	19%
Interim dividend per share	\$2.16	\$1.89	14%	\$2.16	\$1.89	14%
Dividend payout ratio	90%	90%	-	-	-	-

	At 30 Jun 2011	At 31 Dec 2010	Change
KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Shareholders' funds (\$m)	8,922	8,677	3%
Total assets ¹ (\$m)	52,391	47,884	9%
Net assets per share ² (\$)	8.28	8.06	3%

Notes:

- The Group's total assets include the Margin Funds received from Participants on futures and options contracts.
- Based on 1,077,267,883 shares at 30 June 2011, being 1,078,949,163 shares issued and fully paid less 1,681,280 shares held for the Share Award Scheme (31 December 2010: 1,076,436,353 shares, being 1,078,092,346 shares issued and fully paid less 1,655,993 shares held for the Share Award Scheme)

MAJOR EVENTS

19 January

Shang Fulin, Chairman of the China Securities Regulatory Commission, visited HKEx

8 February

Held a ground breaking ceremony for the new Data Centre

7 March

Implemented the first phase of the new trading hours

14 April

SBI Holdings, Inc became the first Japan-incorporated company listed on SEHK

17 April

Dmitry Medvedev, Russian President, visited HKEx



29 April

Hui Xian REIT, Hong Kong's first RMB-denominated IPO and REIT, listed on SEHK



12 May

Signed an MOU with the Taiwan Stock Exchange on the sharing of regulatory information

13 June

Wang Guangya, Director of the Hong Kong and Macao Affairs Office of the State Council, visited HKEx

24 June

Prada SpA became the first Italy-incorporated company listed on SEHK

6 July

Signed an MOU with the Dalian Commodity Exchange on cooperation and the exchange of information

11 July

Held a foundation stone laying ceremony for the new Data Centre with Donald Tsang, Chief Executive of the HKSAR, as the guest of honour



25 July

Launched T+2 Finality

28 July

Signed an MOU with the Jiangsu Province's Office of Financial Affairs on cooperation and the exchange of information

CHAIRMAN'S STATEMENT



In the first half of 2011, the Group benefited from the improved market activity and recorded a profit attributable to shareholders of about \$2.6 billion, an increase of 14 per cent compared with the corresponding period last year. The Board declared an interim dividend of \$2.16 per share for the year ending 31 December 2011.

In the first six months of 2011, funds raised in the Hong Kong IPO market reached \$174.7 billion, an increase of 247 per cent against that of the same period last year. We have witnessed renowned international brand names being listed on our market, including Prada, Samsonite, and MGM. We were also pleased to see Switzerland-based Glencore, a leading integrated producer and marketer of commodities, chose Hong Kong as one of the two markets for its \$77.7 billion IPO. The respective visits of the Russian President Mr Dmitry Medvedev and the Mongolian Prime Minister Mr Sukhbaatar Batbold to HKEx in April and June this year further exemplify international interest in Hong Kong as a premier fund-raising centre.

The growing Mainland economy and the Central Government's support to maintaining Hong Kong as an international financial centre, as laid down in its 12th Five-Year Plan, provide us with excellent opportunities. We will continue our efforts to attract a wider cross-section of international companies with Mainland-focused growth strategies to list on the Exchange. As we proceed with external marketing, we have not overlooked the importance of maintaining high regulatory standards to reinforce investors' confidence in our market. We strongly support the gazettal of the Securities and Futures (Amendment) Bill 2011 in June this year, which was an important step towards giving statutory backing to our rules that require the disclosure of price sensitive information by listed companies to enhance market transparency and quality. A market consultation on the consequential amendments to the relevant parts of the Listing Rules will be conducted later.

Critical to our core business, there is a need for us to continue to be proactive in further developing our platform infrastructure and market structure as set out in our Strategic Plan 2010-2012. Given our growing interconnections with the Mainland markets, the Board, after striving to strike a balance between different interests, has resolved to implement the new trading hours in 2 phases. The first phase was implemented in March this year and the second phase will be implemented in March 2012. With a view to further strengthening Hong Kong's derivatives market, HKEx released a consultation paper on after-hours futures trading in May 2011, and we are in the process of reviewing the submissions.

The listing of the first RMB-denominated REIT in April marked an important milestone for the Exchange. Apart from our efforts to modify our RMB trading and clearing platforms, we plan to introduce our RMB Equity Trading Support Facility in the fourth quarter of this year to facilitate trading in RMB-denominated securities in the secondary market. This backup facility will form an essential part of the overall infrastructure in promoting and supporting offshore RMB business in Hong Kong.

The experience and insight we gained from the financial crisis in 2008/9 helped us see the need to strengthen our risk management structure to support the stability of our Cash and Derivatives Markets. A consultation on strengthening our risk management measures to bring them into line with international standards is underway until October 2011. In addition, we support the global regulatory moves to provide a stable, transparent, and efficient platform for the clearing of OTC derivatives, and have decided to establish a clearing house by the end of 2012 for OTC traded derivatives. This initiative also enables us to capture the business opportunities in OTC derivatives clearing.

Last, but by no means least, I am pleased to report smooth progress in the development of our new Data Centre in Tseung Kwan O Industrial Estate. We had the honour of having the HKSAR Chief Executive, Mr Donald Tsang, as our guest of honour to lay the foundation stone on 11 July 2011. The completion of the Data Centre in 2013 will support our business expansion and sustainable development.

More initiatives under our Strategic Plan 2010-2012 and related details can be found in the Chief Executive's Review and Business Review sections of this report. We understand that without the support of our stakeholders, in particular, the market participants, we would not be able to implement all these initiatives successfully. I, on behalf of the Board, would like to take this opportunity to thank them all. We look forward to their continued support to the Company.

Looking forward, the key global financial issues, such as signs of a US economic slowdown despite growing inflation and the worsening US debt problems after a downgrade of its credit rating by one agency, Europe's sovereign debt crisis, Middle East unrest, the Mainland's austerity measures, and the threat posed by the rise in interest rates continue to cast a shadow on global as well as Hong Kong's economic development. At HKEx, we will continue with our work to uphold our robust regulatory regime to enhance investors' confidence in our financial markets amid global volatility. I am confident that HKEx remains well-positioned and well-prepared to take on challenges that may arise and to capitalise on the opportunities ahead.

Ronald Joseph ARCULLI
Chairman

Hong Kong, 10 August 2011

CHIEF EXECUTIVE'S REVIEW



During the past six months, we continued to proceed with and implement various initiatives under our Strategic Plan 2010-2012. A lot of the work involved engaging our stakeholders, whose insight and support have always been important factors in our success. We have been creative, practical, and determined as well as patient and prudent in our consultation and subsequent implementation, and I am proud of the progress made to date.

Market Performance

During the first six months of 2011, our markets remained active amid a number of external factors that had a negative impact on investor sentiment, including the devastating earthquake in Japan and the deepening of the sovereign debt crisis in Europe. A total of 47 companies were listed on the Stock Exchange (including 10 transfers from GEM) in spite of volatile market conditions, and the total capital raised reached \$304.3 billion, an increase of 81 per cent as compared with the corresponding period last year. In the Cash Market, the average daily turnover value reached \$73.6 billion, up 15 per cent on a year-on-year basis. In the Derivatives Market, the average daily turnover reached record highs of 250,353 derivatives contracts on the Futures Exchange and 288,455 stock options contracts on the Stock Exchange, up 15 per cent and 30 per cent respectively from the same period in 2010.

International Listings

As a result of our continued global marketing effort, international interest in the Stock Exchange grew strongly in the first six months of the year. A total of 8 international companies either issued new shares or were listed in Hong Kong during the first half of 2011, and they raised a total of \$122.4 billion. Noting that China will become one of the world's fastest growing markets for consumption over the next decade, we believe that access to the Greater China market remains one of the most important drivers for international listings, in particular those of the well-known brands. We will continue to promote the Exchange as the ideal listing venue for international companies with links to the Greater China region.

Market Structure and Platform Infrastructure Improvements

Market structure reform and platform infrastructure upgrades constitute one of the building blocks in our Strategic Plan 2010-2012, not only because they are essential for preparing HKEx for the increasingly intense global competition, but also because they are indispensable for maintaining Hong Kong as an international financial centre in the longer term.

In March 2011, we implemented the first phase of the new trading hours, which we believe will improve price discovery in our markets, increase our global competitiveness in the longer term, and position us and our business partners to benefit from the further growth, development and opening of the Mainland economy by increasing the overlap of our trading hours with those of the Mainland exchanges. We started consultation on a major market structure reform: HKEx clearing houses' risk management measures, which is to strengthen our risk management measures with more stringent stress testing assumptions and more robust financial resources. We have also completed market consultation on after-hours futures trading which will align our markets with other leading markets around the globe and bring additional business opportunities for our HKFE Participants. The consultation conclusion will be published in the second half of this year.

We continue to carry out our IT infrastructure initiatives, including the securities and derivatives market system upgrades, the construction of the new Data Centre, the hosting services project, etc. Our aim is to enhance the markets' competitiveness so that all our stakeholders can continue to prosper. We will continue to monitor the progress of these projects closely to ensure timely delivery.

RMB Business Development

As the quantity of RMB in Hong Kong continues to increase steadily, the demand for more diversified RMB-traded products is mounting. The listing of Hui Xian REIT on the Exchange in April this year was an important step in the right direction. In order to facilitate future listings of RMB-traded products on the Exchange, we have devoted substantial resources to identifying feasible IPO models for RMB-traded shares. The result of this exercise was communicated to intermediaries and the wider market through briefing sessions in late June 2011. Introduction of RMB products is a significant move in the Hong Kong financial market, and we will continue to work closely with issuers, intermediaries, and regulators on the further development of those products.

In order to facilitate secondary trading in RMB-traded shares in Hong Kong, especially while the RMB is not fully convertible and is subject to liquidity constraints, we plan to introduce our RMB Equity Trading Support Facility (TSF) in the second half of this year. The TSF is intended to enable investors to invest in RMB-traded shares using their readily available currency, HKD. We believe the TSF will enhance market confidence and play an important role in attracting companies to issue RMB-traded shares in Hong Kong.

Notwithstanding the progress we have made so far, there is still a long way ahead to fully implement our Strategic Plan 2010-2012. Nevertheless, I remain confident that with the support from our staff, shareholders and market participants, we will achieve our overall objectives.

LI Xiaojia, Charles

Director and Chief Executive

Hong Kong, 10 August 2011

BOARD AND COMMITTEES

Board

Independent Non-executive Chairman

Ronald Joseph ARCULLI * GBM, GBS, JP

Executive Director, Chief Executive

LI Xiaojia, Charles

Independent Non-executive Directors

CHA May-Lung, Laura * GBS, JP

CHAN Tze Ching, Ignatius BBS, JP

CHEUNG Mo Chi, Moses * GBS, JP

CHEUNG Kin Tung, Marvin * ¹ GBS, JP

John Barrie HARRISON * ²

HUI Chiu Chung, Stephen * ³ JP

KWOK Chi Piu, Bill ⁴ JP

LEE Kwan Ho, Vincent Marshall ⁴

LEE Tze Hau, Michael * ³

John Estmond STRICKLAND GBS, JP

John Mackay McCulloch WILLIAMSON

WONG Sai Hung, Oscar

Committees

Audit Committee

John Barrie HARRISON ⁵ (Chairman)

CHEUNG Kin Tung, Marvin ¹ (ex-Chairman)

LEE Kwan Ho, Vincent Marshall ⁶ (Deputy Chairman)

CHAN Tze Ching, Ignatius

KWOK Chi Piu, Bill ⁶

John Mackay McCulloch WILLIAMSON

Environmental, Social and Governance Committee ⁷

(formerly known as Corporate Social Responsibility Committee)

Ronald Joseph ARCULLI ⁵ (Chairman)

LI Xiaojia, Charles ⁸ (ex-Chairman)

CHA May-Lung, Laura ⁵

CHAN Tsan Fai, David ⁹

John Barrie HARRISON ⁵

LEE Kwok Keung, Roger ⁹

LEE Tze Hau, Michael ⁵

MAU Kam Shing, Joseph ⁹

YEN Tai Mui, Brenda ⁹

Executive Committee

Ronald Joseph ARCULLI (Chairman)

KWOK Chi Piu, Bill ⁶

LEE Kwan Ho, Vincent Marshall ⁶

LI Xiaojia, Charles

John Mackay McCulloch WILLIAMSON

Committees (continued)

Investment Advisory Committee

John Estmond STRICKLAND (Chairman)

WONG Sai Hung, Oscar (Deputy Chairman)

HUI Chiu Chung, Stephen ⁶

LEE Tze Hau, Michael ⁶

LUI Yin Tat, David

Nomination Committee

Ronald Joseph ARCULLI (Chairman)

CHAN Tze Ching, Ignatius

CHEUNG Mo Chi, Moses

John Estmond STRICKLAND

WONG Sai Hung, Oscar

Panel Member Nomination Committee

CHA May-Lung, Laura (Chairman)

KWOK Chi Piu, Bill ⁶

LEE Kwan Ho, Vincent Marshall ⁶

LEE Tze Hau, Michael ⁶

WONG Sai Hung, Oscar

Remuneration Committee

Ronald Joseph ARCULLI (Chairman)

CHA May-Lung, Laura

CHEUNG Mo Chi, Moses

John Barrie HARRISON ⁵

LEE Kwan Ho, Vincent Marshall ¹

John Mackay McCulloch WILLIAMSON

Risk Management Committee ^Δ

Ronald Joseph ARCULLI (Chairman)

CHAN Ka-lok ** ¹⁰

CHAN Ngai Hang ** ¹¹

CHEUNG Kin Tung, Marvin ¹

FONG Hup ** ¹⁰

KWOK Chi Piu, Bill ⁶

LAU Ying Pan, Edmond ** ¹²

LEE Tze Hau, Michael ⁵

LIU Swee Long, Michael ** ¹¹

LUI Kei Kwong, Keith **

Mark Seumas McCOMBE **

Company Secretary

MAU Kam Shing, Joseph

Notes:

* Government Appointed Director

** Appointed by the Financial Secretary

Δ Established under Section 65 of the SFO

¹ Retired on 20 April 2011

² Appointment effective 20 April 2011

³ Re-appointment effective 20 April 2011

⁴ Re-elected on 20 April 2011

⁵ Appointment effective 21 April 2011

⁶ Re-appointment effective 21 April 2011

⁷ Change of name effective 21 April 2011

⁸ Ceased chairmanship and appointed as member effective 21 April 2011

⁹ Appointment ceased effective 21 April 2011

¹⁰ Appointment ceased effective 1 July 2011

¹¹ Appointment effective 1 July 2011

¹² Re-appointment effective 1 July 2011

Board of Directors

Dr Marvin Cheung retired from the Board after the conclusion of the 2011 AGM. On the same day, the Financial Secretary appointed Mr John Harrison as his successor, and re-appointed Messrs Stephen Hui and Michael Lee each for a term of approximately 2 years from the close of the 2011 AGM until the conclusion of the annual general meeting to be held in 2013. Dr Bill Kwok and Mr Vincent Lee were re-elected as Directors by Shareholders at the 2011 AGM each for a term of approximately 3 years from 20 April 2011 until the conclusion of the annual general meeting to be held in 2014.

Committees

Following the changes in the Board composition that took effect on 20 April 2011, the Board considered and announced new appointments to various Committees on 21 April 2011. The term of service of each Director on each Committee shall be coterminous with the individual's term of directorship with HKEx.

On 29 June 2011, the Financial Secretary appointed Professor Chan Ngai Hang and Mr Michael Liu to succeed Professor Chan Ka-lok and Mr Fong Hup, and re-appointed Mr Edmond Lau, as members of the Risk Management Committee effective 1 July 2011.

The updated member lists of the various Committees are available on the HKEx website.

Other Changes in Directors' Information

Other changes in Directors' information since the date of the 2010 Annual Report are set out below.

	Appointment (effective)	Cessation of office (effective)
Ignatius T C Chan		
<ul style="list-style-type: none"> • Advisory Committee on Human Resources Development in the Financial Services Sector – chairman 	–	1 Jun 2011
Moses M C Cheng		
<ul style="list-style-type: none"> • China COSCO Holdings Company Limited * – non-executive director 	–	17 May 2011
John B Harrison		
<ul style="list-style-type: none"> • AIA Group Limited * – non-executive director 	1 Jul 2011	–
Stephen C C Hui		
<ul style="list-style-type: none"> • OSK Holdings Hong Kong Limited <ul style="list-style-type: none"> – chief executive officer – vice-chairman • SFC – member of Committee on Real Estate Investment Trusts • China South City Holdings Limited * – non-executive director 	– 1 Apr 2011 – 11 Apr 2011	1 Apr 2011 – 1 Apr 2011 –
Bill C P Kwok		
<ul style="list-style-type: none"> • SFC – member of Committee on Real Estate Investment Trusts 	1 Apr 2011	–

* Currently listed on the Stock Exchange

Directors' updated biographies are available on the HKEx website.

Non-executive Directors' Remuneration

At the 2011 AGM, Shareholders approved the remuneration of \$550,000 and \$385,000 per annum be payable to the Chairman and each of the other non-executive Directors respectively, and in addition to an attendance fee of \$2,500 per meeting, the remuneration of \$100,000 and \$70,000 per annum respectively be payable to the chairman and each of the other members (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.

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

Revisions of Listing Rules

In the first half of 2011, the Listing Rules were amended after publication of the conclusions of the following consultations:

Proposals	Effective date of the amended Listing Rules
<ul style="list-style-type: none">Reduction of the minimum shareholder requirement for the market capitalisation/revenue test from 1,000 to 300 shareholders	1 February 2011
<ul style="list-style-type: none">Changes to requirements for qualified property acquisitions and formation of joint ventures	1 February 2011
<ul style="list-style-type: none">Trading ex-entitlement only after shareholder approval	20 June 2011

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

Public Consultations

The Exchange is reviewing the responses to various consultations conducted in December 2010, namely: (i) review of the Code on Corporate Governance Practices and associated Listing Rules; (ii) proposed changes to property valuation requirements; and (iii) proposed changes to requirements for the listing of debt issues to professional investors only. Consultation conclusions will be released later this year.

Provision of Free Seminars and Workshops to Strengthen ESG Reporting

HKEx engaged an external consultant to conduct 5 half-day training seminars and a series of 10 full-day workshops during May and July 2011 to help equip listed issuers with practical tools necessary for Environmental, Social and Governance (ESG) reporting based on a draft ESG Reporting Guide. The market responses were overwhelming and the feedback on the seminars and workshops was generally positive. HKEx plans to consult the market on the draft ESG Reporting Guide later this year.

Introduction of Structured Products Integrated Transaction System (SPRINTS)

In May 2011, HKEx launched a new web-based system (SPRINTS) that allows structured product issuers to submit term sheet data electronically to the Exchange in a standardised format (Extensible Markup Language, or XML). The automation of the application process helps shorten the listing application cycle for structured products and supports any future growth in volume.

Enhancement of Continuing Disclosure among Listed Companies

HKEx welcomed the Government's publication of the consultation conclusions on 11 February 2011 on the proposed statutory codification of certain requirements for the disclosure of price sensitive information by listed corporations and its decision to take the proposal forward. At an appropriate stage, HKEx will consult the market on the consequential amendments to the relevant sections under the Listing Rules.

Cash Market

Market Performance

In the first half of 2011, 42 companies were newly listed on the Main Board (including 10 transfers from GEM), and 5 on GEM. Total capital raised including post-listing funds reached \$304.3 billion. As at 30 June 2011, 1,284 and 164 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about \$21,103.9 billion. In addition, there were 4,836 DWs, 711 CBBCs, 9 REITs, 76 ETFs and 173 debt securities listed as at 30 June 2011. The average daily turnover in the first half of 2011 was \$73.2 billion on the Main Board and \$354.1 million on GEM.

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

	As at	As at	As at	Change	
	30 Jun 2011	31 Mar 2011	30 Jun 2010	Mar 2011	Jun 2010
Energy	59	55	47	7%	26%
Materials	126	125	111	1%	14%
Industrial Goods	118	117	112	1%	5%
Consumer Goods	371	361	338	3%	10%
Services	219	216	209	1%	5%
Telecommunications	18	18	18	0%	0%
Utilities	41	40	32	3%	28%
Financials	115	114	103	1%	12%
Properties & Construction	197	196	194	1%	2%
IT	161	161	157	0%	3%
Conglomerates	23	23	23	0%	0%
Total	1,448	1,426	1,344	2%	8%

* According to HSIL

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

	As at	As at	As at	Change	
	30 Jun 2011	31 Mar 2011	30 Jun 2010	Mar 2011	Jun 2010
	\$bn	\$bn	\$bn		
Energy	1,713.1	1,797.4	1,283.9	(5%)	33%
Materials	691.0	745.3	495.3	(7%)	40%
Industrial Goods	414.7	458.5	259.3	(10%)	60%
Consumer Goods	2,330.0	2,098.6	1,760.2	11%	32%
Services	1,880.8	1,730.9	1,306.1	9%	44%
Telecommunications	1,963.3	1,889.6	1,925.2	4%	2%
Utilities	796.9	779.3	653.8	2%	22%
Financials	6,648.6	7,092.6	5,655.2	(6%)	18%
Properties & Construction	2,627.5	2,717.1	2,195.6	(3%)	20%
IT	885.7	888.9	732.7	(0%)	21%
Conglomerates	1,152.4	1,198.7	863.9	(4%)	33%
Total	21,103.9	21,396.9	17,131.1	(1%)	23%

* 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 2011	31 Mar 2011	30 Jun 2010	Mar 2011	Jun 2010
Ordinary Shares	1,449	1,427	1,345	2%	8%
Preference Shares	3	3	2	0%	50%
Warrants	4,853	5,714	4,140	(15%)	17%
Equity Warrants	17	25	26	(32%)	(35%)
DWs	4,836	5,689	4,114	(15%)	18%
CBBCs	711	974	1,020	(27%)	(30%)
Unit Trusts	87	82	72	6%	21%
ETFs	76	72	62	6%	23%
REITs	9	8	8	13%	13%
Others	2	2	2	0%	0%
Debt Securities	173	170	158	2%	9%
Total	7,276	8,370	6,737	(13%)	8%

Market Value by Type of Securities – Main Board and GEM

	As at	As at	As at	Change	
	30 Jun 2011 \$bn	31 Mar 2011 \$bn	30 Jun 2010 \$bn	Mar 2011	Jun 2010
Equities	21,103.9	21,396.9	17,131.1	(1%)	23%
Warrants	97.3	150.1	88.3	(35%)	10%
Equity Warrants	0.8	1.2	1.7	(33%)	(53%)
DWs	96.5	148.9	86.6	(35%)	11%
CBBCs	32.6	43.4	43.1	(25%)	(24%)
Unit Trusts	852.5	798.1	669.8	7%	27%
ETFs	712.5	691.0	584.4	3%	22%
REITs	137.0	104.1	82.8	32%	65%
Others	3.0	3.0	2.6	0%	15%
Debt Securities *	523.5	506.2	426.3	3%	23%
Total	22,609.7	22,894.7	18,358.6	(1%)	23%

* Nominal value

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

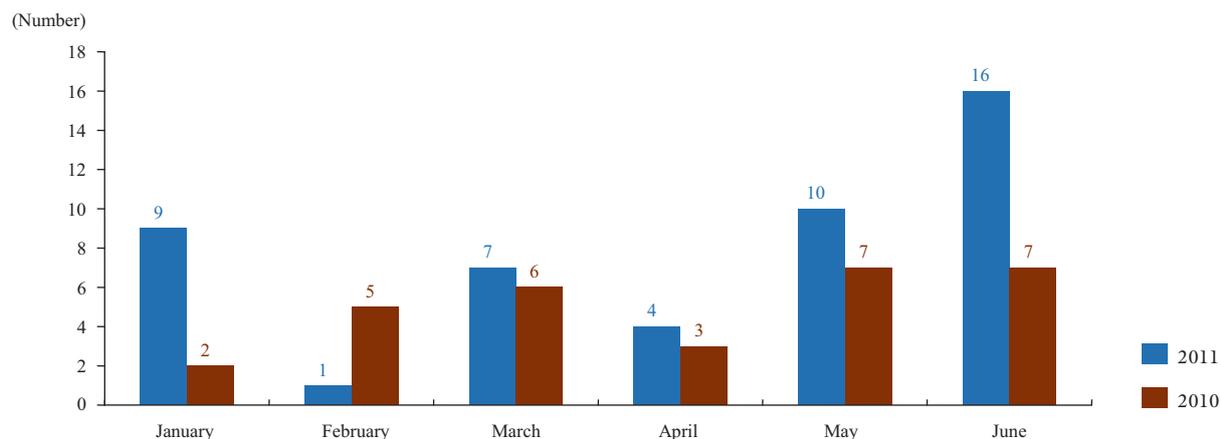
Turnover Value by Type of Securities – Main Board and GEM

	Six months ended	Six months ended	Change
	30 Jun 2011 \$bn	30 Jun 2010 \$bn	
Equities	6,427.2	5,741.7	12%
Warrants	1,466.6	1,127.3	30%
Equity Warrants	0.8	0.5	60%
DWs	1,465.8	1,126.7	30%
CBBCs	692.9	589.8	17%
Unit Trusts	316.2	265.1	19%
ETFs	285.6	244.7	17%
REITs	30.3	20.0	52%
Others	0.3	0.3	0%
Total *	8,902.9	7,723.8	15%

* Figures include turnover value of debt securities (six months ended 30 June 2011 and 30 June 2010: approximately \$3 million and \$1 million respectively).

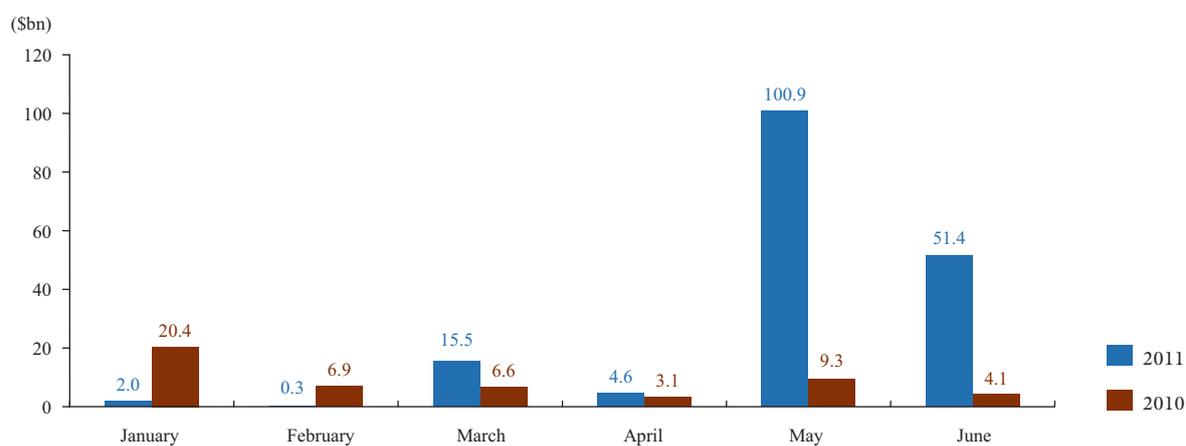
Note: Figures have been rounded and may not add up to the sub-total or the total.

Newly Listed Companies – Main Board* and GEM

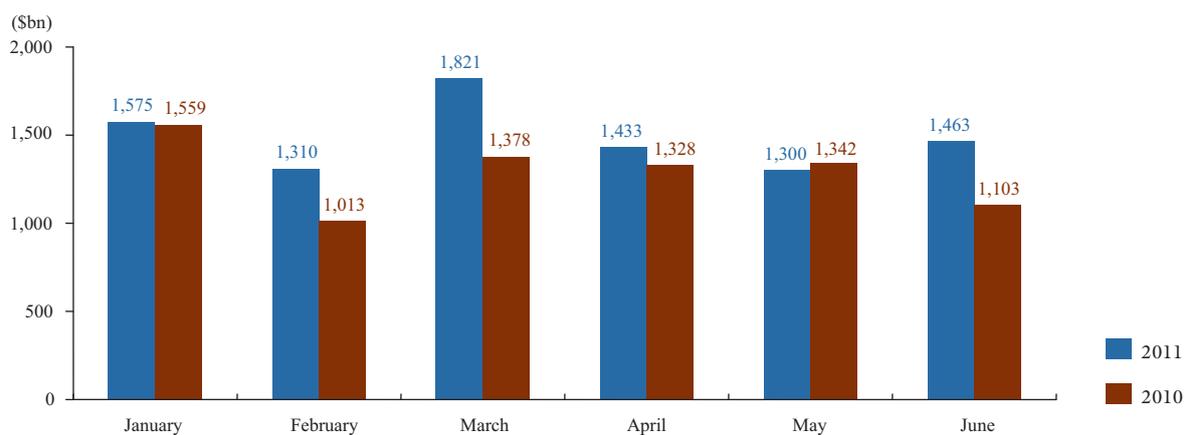


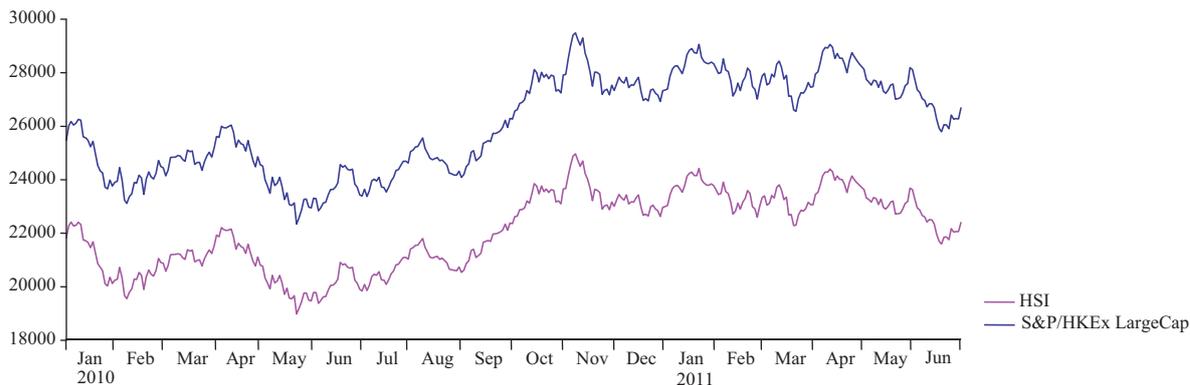
* Included transfers from GEM (2011: 10; 2010: 2)

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



Turnover Value – Main Board and GEM



HSI and S&P/HKEx LargeCap Index (January 2010 – June 2011)**S&P/HKEx GEM Index (January 2010 – June 2011)****New Trading Hours**

Following a series of market simulations in the middle of February 2011 to assist EPs and IVs in verifying their readiness, the first phase of the new trading hours in the Cash and Derivatives Markets was implemented on 7 March 2011. The second phase will be implemented on 5 March 2012 under which the trading hours will be extended for another half-an-hour.

Trading in RMB Products

As at 30 June 2011, 3 RMB-denominated debt securities and 1 RMB-denominated REIT were listed and available for trading on the Exchange. Up to 30 June 2011, 203 EPs, which contributed around 80 per cent of the total market turnover for June 2011, had traded in the Hui Xian REIT after it completed Hong Kong's first IPO of RMB-denominated securities and listed in late April 2011.

Development of ETF Market

During the first half of 2011, 7 ETFs were newly listed on the Exchange. As at 30 June 2011, there were 76 listed ETFs, 14 ETF managers and 23 ETF market makers. In March this year, HKEx received the "etfexpress Awards 2011 for Best Asian Exchange for Listing ETFs".

On 13 May 2011, HKEx and the Shanghai Stock Exchange jointly organised a conference on "Development of ETFs and Other Index Products" in Hong Kong. The conference served to provide an opportunity for regulators and industry participants to discuss the development of the market for ETFs and other index products in the Mainland, Hong Kong and other markets.

Derivatives Market

Market Performance

In the first half of 2011, there were a total of 64,926,387 contracts traded in the Derivatives Market, comprising 22,660,551 futures contracts and 42,265,836 options contracts. The average daily volumes were 188,054 futures contracts and 350,754 options contracts. As at 30 June 2011, the total open interest was 6,273,955 contracts, comprising 252,609 futures contracts and 6,021,346 options contracts.

Record High Daily Volume and Open Interest Achieved in the First Half of 2011

Products	Daily volume		Open interest	
	Date	Number of contracts	Date	Number of contracts
Mini-HSI Futures	15 Mar	79,706	17 Jun	21,682
H-shares Index Futures	–	–	27 Apr	163,863
Mini H-shares Index Futures	15 Mar	13,593	17 Jun	6,030
HSI Dividend Point Index Futures	2 Feb	1,600	30 Jun	5,644
HSCEI Dividend Point Index Futures	4 Apr	1,240	30 Jun	4,111
Mini-HSI Options	15 Mar	9,192	29 Mar	19,793
Flexible HSI Options	–	–	30 Jun	5,410
Flexible H-shares Index Options	9 May	2,400	30 Jun	2,600

Average Daily Volume of Major Derivatives Products

Contracts	Six months ended	Three months ended	Six months ended	Change	
	30 Jun 2011	31 Mar 2011	30 Jun 2010	Mar 2011	Jun 2010
HSI Futures	89,272	90,884	84,001	(2%)	6%
HSI Options	43,637	43,476	30,981	0%	41%
Mini-HSI Futures	35,994	35,396	34,724	2%	4%
Mini-HSI Options	3,447	3,178	1,595	8%	116%
H-shares Index Futures	54,590	52,133	51,147	5%	7%
H-shares Index Options	15,148	13,911	10,946	9%	38%
Mini H-shares Index Futures	6,305	5,682	3,619	11%	74%
Stock Futures	1,749	1,758	597	(1%)	193%
Stock Options	288,455	299,477	221,512	(4%)	30%
3-Month HIBOR Futures	2	2	5	0%	(60%)
1-Month HIBOR Futures	1	1	0	0%	N/A
Gold Futures	19	26	21	(27%)	(10%)
Flexible HSI Options *	45	78	0	(42%)	N/A
Flexible H-shares Index Options *	22	0	4	N/A	450%
HSI Dividend Point Index Futures #	74	115	N/A	(36%)	N/A
HSCEI Dividend Point Index Futures #	49	48	N/A	2%	N/A
Market Total	538,808	546,164	439,151	(1%)	23%

* Launched on 8 February 2010

Launched on 1 November 2010

Open Interest of Major Derivatives Products

Contracts	As at			Change	
	30 Jun 2011	31 Mar 2011	30 Jun 2010	Mar 2011	Jun 2010
HSI Futures	95,917	89,300	77,070	7%	24%
HSI Options	222,085	229,086	202,453	(3%)	10%
Mini-HSI Futures	10,213	8,475	7,602	21%	34%
Mini-HSI Options	5,681	7,571	4,525	(25%)	26%
H-shares Index Futures	114,333	107,348	89,089	7%	28%
H-shares Index Options	163,542	134,324	112,929	22%	45%
Mini H-shares Index Futures	2,945	2,109	1,399	40%	111%
Stock Futures	19,267	18,118	5,822	6%	231%
Stock Options	5,622,028	5,912,772	5,163,995	(5%)	9%
3-Month HIBOR Futures	83	134	155	(38%)	(46%)
1-Month HIBOR Futures	55	39	0	41%	N/A
Gold Futures	41	178	166	(77%)	(75%)
Flexible HSI Options *	5,410	4,810	0	12%	N/A
Flexible H-shares Index Options *	2,600	0	0	N/A	N/A
HSI Dividend Point Index Futures #	5,644	5,439	N/A	4%	N/A
HSCEI Dividend Point Index Futures #	4,111	3,122	N/A	32%	N/A
Market Total	6,273,955	6,522,825	5,665,205	(4%)	11%

* Launched on 8 February 2010

Launched on 1 November 2010

Introduction of VHSI and Plans for VHSI Futures

On 21 February 2011, the real-time HSI Volatility Index (VHSI) was launched as a result of the concerted efforts between HKEx and HSIL in developing a stock market volatility benchmark for Hong Kong. The VHSI measures the expected volatility of the HSI over the next 30 days implied in the prices of HSI Options. Since 14 March 2011, the real-time VHSI has been disseminated on the homepage of HKEx's website and via HKEx's Market Datafeed System to authorised IVs. HKEx and HSIL launched a series of educational and promotional programmes to help the investment community familiarise itself with the VHSI and to raise public awareness of the VHSI and its applications.

HKEx is consulting market participants regarding the possible introduction of a futures contract on the VHSI. VHSI Futures could be used by investors to hedge volatility risk or obtain pure volatility exposure in a single contract.

Commencement of Synthetic Futures Trading

On 9 May 2011, HKEx introduced synthetic futures trading via a standard combination trading function in its stock options market that allows investors to execute call/put trades simultaneously and manage the delta exposure of their options portfolios. As at the end of June 2011, there were a total of 10 active stock option classes with synthetic futures trading, the list of which is available on the HKEx website.

Consultation on After-hours Futures Trading

HKEx published a consultation paper on 30 May 2011 to seek market feedback on its proposal to introduce after-hours futures trading (AHFT) to strengthen Hong Kong's derivatives market. In the consultation paper, HKEx has proposed trading of 3 futures contracts, namely HSI Futures, H-shares Index Futures and Gold Futures, be extended to the after-hours trading session (the T+1 Session). The T+1 Session would start 30 minutes after the close of the regular trading session (the T Session), ie, 4:45 pm for HSI and H-shares Index Futures, and 5:30 pm for Gold Futures until 11:15 pm. Additional risk management measures were also proposed to mitigate the counterparty risks associated with T+1.

Investors would benefit from having an AHFT platform to hedge or adjust their positions in response to market news and events in the European and US time zones. AHFT would also enable HKEx to serve international trading interest relating to RMB products in the future. Therefore, the capability for after-hours trading would be a prerequisite for HKEx to support asset classes traded on a global basis including commodities and foreign exchange. The consultation period ended on 8 July 2011 and 451 responses were received. HKEx is in the process of consolidating the responses and comments.

Service Enhancements

After the successful rehearsals for EPs to ensure their system readiness, the price update interval in HKATS was shortened from 1 second to 0.5 second on 14 March 2011 to enable investors to have more frequent updates of the bid and ask prices in the Derivatives Market.

Since 16 May 2011, the Bulletin Board function has been extended to Mini-HSI and H-shares Index Futures and Options in addition to the HSI Futures and Options and Stock Options markets. The Bulletin Board function in HKATS allows users to define and place limit orders for futures and options strategies.

Clearing

CCASS Statistics (six months ended 30 June)

	2011	2010	Change
Average daily Exchange Trades handled by CCASS			
Number of trades	862,117	760,282	13%
Value of trades (\$bn)	73.5	63.8	15%
Share quantity involved (bn)	160.9	124.4	29%
Average daily SIs handled by CCASS			
Number of SIs	86,885	76,843	13%
Value of SIs (\$bn)	217.6	173.5	25%
Share quantity involved (bn)	48.0	43.6	10%
Average daily ISIs handled by CCASS			
Number of ISIs	522	542	(4%)
Value of ISIs (\$m)	274.8	214.0	28%
Share quantity involved (m)	144.0	116.6	23%
Average daily settlement efficiency of CNS stock positions on due day (T+2)			
	99.89%	99.87%	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	7	0%
Number of buy-ins	8	9	(11%)
Value of buy-ins (\$m)	3.1	3.4	(9%)
Shares deposited in the CCASS depository			
Number of shares (bn)	3,707.1	3,409.7	9%
Percentage of the total issued shares of the admitted securities	69%	71%	(2%)
Value of shares (\$bn)	11,612.9	8,904.8	30%
Percentage of the total market capitalisation of the admitted securities	50%	49%	1%

T+2 Finality

On 25 July 2011, HKEx launched the T+2 Finality for CCASS money settlement, which reduces the overnight credit risk of Participants and aligns the money settlement arrangement in Hong Kong with the international best practices by bringing finality of securities and money settlement onto the same day.

Scriptless Securities Market

The Scriptless Securities Market Working Group has completed the study of the operational details of the proposed model, which will form the basis for the SFC's preparation of the consultation on the new subsidiary legislation under the SFO. The consultation is planned for the second half of 2011. The Working Group will continue discussions to resolve outstanding issues and formulate the technical details to prepare for scripless implementation.

Participant Services

Participant Training and Market Education

In the first half of 2011, HKEx and the Hong Kong Securities Institute jointly organised 9 Continuous Professional Training courses on the HKATS terminal and derivatives products for about 100 attendees. There were also 6 training courses related to AMS/3, and 16 related to CCASS or DCASS. In addition, a total of 3,300 attendees participated in HKEx's 24 briefing sessions and 4 seminars on derivatives products during the first half of the year under the joint promotion programme with EPs.

Participant Recruitment

In the first six months of 2011, there were 14 new SEHK Participants and 9 new HKFE Participants, including those from the Mainland and overseas. In the same period, 427 IPs were newly admitted as CCASS Participants.

Number of Trading Right Holders (as at the end of June 2011)

	SEHK		HKFE	
	Trading Right holders	Trading Rights held	Trading Right holders	Trading Rights held
EPs	525	948	184	206
Trading	490	906	184	206
Non-trading	35	42	N/A	N/A
Non-EPs	22	22	44	46
Total	547	970	228	252

Number of CCASS Participants (as at the end of June 2011)

	HKSCC
Clearing Agency Participant	1
Custodian Participants	40
Direct Clearing Participants	474
General Clearing Participants	8
IPs	22,982
Stock Lender Participant	0
Stock Pledgee Participants	5
Total	23,510

Market Data

Launch of BMP Service

To enhance market transparency and raise the profile of the Hong Kong securities and derivatives markets, HKEx repackaged the Free Prices Website Service as the Basic Market Prices (BMP) service and launched the BMP service on 1 April 2011. Under the BMP service, HKEx provides basic Cash and Derivatives Market data to service providers at a flat monthly fee. The service providers include IVs, EPs or their affiliates, and the 6 websites which were part of the Free Prices Website Service pilot programme. The BMP service has been well received by the market. So far it is available through a total of 28 websites and 12 mobile applications. Moreover, listed companies can display their real-time stock prices on their websites under the BMP service. HKEx expects that the BMP service will be provided under a wider variety of platforms in the near future.

Introduction of PRS Plus

HKEx introduced an additional derivatives market datafeed, PRS Plus, on 11 April 2011. PRS Plus and the current PRS are identical in terms of data content and market depth, but the update interval of the PRS Plus is 5 times shorter. HKEx also introduced an End-user Licence for both PRS and PRS Plus. As at 30 June 2011, there were 25 IVs offering PRS Plus on their services and 22 companies (mainly EPs and market makers) with the End-user Licence for the internal usage of PRS Plus.

Risk Management

Clearing House Risk Management Reform Measures

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

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

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

The consultation paper is available on the HKEx website.

In June 2011, HKEx increased the amount of shareholders' funds set aside for the purpose of strengthening the risk management regime of the clearing houses and supporting their roles as central counterparties by \$900 million to \$4 billion (31 December 2010: \$3.1 billion).

Market Surveillance

Under the MOU between the SFC and HKEx on matters relating to market surveillance, HKEx referred a total of 33 cases involving possible violations of Hong Kong laws, SFC codes and/or rules and regulations relating to its markets to the SFC for its investigation during the six months ended 30 June 2011.

Information Technology

Production Systems' Stability and Reliability

During the first half of 2011, 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 remains committed to upholding system reliability, availability and stability.

System Capacity Planning and Technology Upgrades

HKEx continues its technology investment in system upgrades to capture new business opportunities and strengthen its competitiveness as an operator of international markets.

Other than the PRS Plus that had been launched, there are a number of technology upgrade initiatives in progress: (i) the increase in the DCASS capacity by about 60 per cent in the third quarter of 2011 to handle 475,000 account positions; (ii) the revamp of AMS/3 to increase capacity by 10-fold to 30,000 orders per second and reduce order processing latency by 16-fold to 9 milliseconds (referred to as AMS/3.8) by the end of the year; and (iii) the further upgrade of MDS to MDS/3.8 for capacity and performance alignment with AMS/3.8.

HKEx has started the phased implementation of the next generation market systems according to the established technology roadmap. Initially, this includes: (i) an evaluation of market datafeed solution to replace the existing MDS and PRS with a single, common, flexible, and ultra low-latency market data dissemination platform for all asset classes traded at HKEx; and (ii) a feasibility study for HKATS/DCASS upgrade to a new technology platform.

System Enhancements for RMB Products

The system development for RMB Equity Trading Support Facility enhancements is largely completed. The Facility, as an additional mechanism to cope with RMB supply liquidity for investor trading in RMB equity products, will be introduced in the fourth quarter of this year.

HKEx completed the system preparation for trading RMB-denominated futures and options in June 2011. In addition, the DCASS enhancement to support Stock Options with trading/settlement currencies other than HKD was implemented in June 2011. HKEx will make announcements in due course for EPs and Clearing Participants to prepare themselves for trading in RMB-denominated futures and options when opportunities arise.

Independent Reviews

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

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

Operational Efficiency

Apart from the implementation of SPRINTS to facilitate automation of the approval process for DW and CBBC listing applications, HKEx is developing the Enterprise Content Management system to streamline the document management process and enhance operational efficiency in the Listing Division, which is targeted for launch in the third quarter of this year.

New Data Centre and IT Office Consolidation

HKEx has received the Certificate of Completion for the foundation site works that were completed in May 2011 for its new Data Centre in Tseung Kwan O.

Vendors for the construction works, including the building superstructure, major electrical and mechanical equipment, and redundancy power, were appointed. The construction works are in progress with the aim of delivering dust free environment by the second quarter of 2012. Provisioning of network infrastructure and structured cabling systems, and installation of IT equipment for testing will be conducted thereafter. The first phase relocation of the primary data centre for the Cash Market to the new Data Centre will take place in the fourth quarter of 2012, and the relocation of systems from other data centres will be completed by phases till the end of 2013.

Market Development

Development of OTC Clearing

HKEx is in the process of devising the detailed business model and risk management framework for the clearing of OTC interest rate swaps and non-deliverable forwards. In the implementation of its plan to launch OTC derivatives clearing by the end of 2012, HKEx has developed a master plan for setting up the OTC market infrastructure in conjunction with the Hong Kong Monetary Authority, and started meeting OTC market participants in the past few months to outline the service scope and project implementation plan.

In early June 2011, HKEx issued a Request for Proposal inviting leading vendors to submit proposals for implementing the core OTC clearing platform. HKEx is also engaging an international law firm to advise on regulatory and legal issues in relation to the OTC clearing initiative.

Provision of Hosting Services

HKEx will offer Hosting Services, including low-latency co-location with HKEx markets, at its new Data Centre. HKEx's Hosting Services will further support Hong Kong's financial markets community using an ecosystem approach. Hosting Services will be made available to EPs as well as technology and communications providers who will be able to interact within the ecosystem. This will allow infrastructure and software provisioning by hosted technology vendors.

Up to 1,200 cabinets of server space at an average power allocation of 6kW per cabinet will be made available in phased releases. The major Hosting Services components include: (i) tier 4 data centre specification; (ii) low-latency access to the Cash and Derivatives Markets; (iii) low-latency direct market data feeds; (iv) interactive ecosystem environment supporting electronic trading; (v) flexible power and space packages offering both racked and caged environments; and (vi) broad telecommunications carrier access.

Issuer Marketing

The recent listings of overseas companies on the Exchange have helped to raise the interest of international companies in considering Hong Kong for their fund raising activities.

The successful listings of the Swiss commodities giant Glencore International plc and the famous Italian luxury brand Prada SpA in Hong Kong are the examples that our Chairman and executives highlighted during their travels to Europe to meet with potential listing applicants. While more visits were made to Europe in the first half of the year, we had co-organised a conference with The Italian Chamber of Commerce in Hong Kong and Macao, which attracted the participation of over 100 senior executives of various famous Italian brands.

HKEx executives also visited Canada and Russia in the first half of the year to urge natural resource companies to consider listing in Hong Kong. In the Asia Pacific region, HKEx representatives travelled to Indonesia, Japan, and Malaysia to participate in a number of seminars and promote Hong Kong listings. In May 2011, our Chief Marketing Officer met several Korean shipping companies and introduced the Exchange during his visit to Seoul to deliver a presentation at the seminar organised by the Hong Kong Maritime Industry Council and the Hong Kong Port Development Council.

During the period under review, HKEx delegations visited Mongolia to meet with key government officials, including the Prime Minister to promote the Exchange for the listing of the country's state-owned assets. HKEx executives also conducted training sessions for the Mongolian Stock Exchange, spoke in various conferences and met with companies in Ulaanbaatar that may be interested in listing in Hong Kong. When the relationship between Mongolia and Hong Kong was reinforced in June by the Mongolian Prime Minister's visit to the city for the opening of his country's Consulate General office and the celebration of new direct flights between Ulaanbaatar and Hong Kong, HKEx took that opportunity to encourage Mongolian companies to list on the Exchange and arranged exclusive interviews for the Mongolian Prime Minister with prominent financial press during his stay.

Marketing efforts to attract Mainland enterprises to list in Hong Kong continued. On one hand, HKEx executives made trips to various places in the Mainland to identify listing prospects and spoke at events. On the other hand, HKEx co-organised a number of local and Mainland conferences on listing in Hong Kong, details of which are set out in the following table.

Date	Place	Organiser(s)
20 Jan	Jinan, Shandong	Shandong Provincial Government, Finance Office of Shandong Province, and HKEx
2 Mar	Guilin, Guangxi	Guilin Commercial Affairs Bureau, Guilin Foreign Affairs Bureau, Guilin Exposition Bureau, Guilin Industry and Information Technology Committee, Guilin Investment Promotion Bureau, InvestHK, and HKEx
25 Mar	Hong Kong	Sichuan Provincial Financial Office and HKEx
30 Mar	Changchun, Jilin	Hong Kong Trade Development Council, Jilin Province Economic and Technological Cooperation Bureau, Financial Affairs Office of Changchun, Changchun National High-technology Industry Development Area, and HKEx
31 Mar	Hong Kong	Hebei Provincial Financial Office and HKEx
1 Apr	Harbin, Heilongjiang	Hong Kong Trade Development Council, Heilongjiang Province Department of Commerce, Heilongjiang Province Industry and Commerce Administration Bureau, Heilongjiang Financial Affairs Office, and HKEx
12 May	Guangzhou, Guangdong	InvestHK and HKEx
1 Jun	Fuzhou, Fujian	Hong Kong and Macau Affairs Office of Fujian Province and HKEx
23 Jun	Shenzhen, Guangdong	Shenzhen Government, China Council for the Promotion of International Trade, and HKEx

Another key focus of the Exchange this year is to promote RMB IPO. On 22 June 2011, HKEx organised a conference for the Hong Kong-based intermediaries to explain the structure and details of the RMB IPO models.

Promotion of HKEx's Markets

During the period under review, our Chairman attended various large-scale conferences held in Hong Kong and overseas to promote HKEx and its markets, including the Asian Financial Forum 2011, the Latin America Asia-Pacific Investors Forum, and the St. Petersburg International Economic Forum 2011. In addition, our Chief Executive, Chief Marketing Officer and other senior executives participated in investment conferences and seminars in Hong Kong, Moscow, Singapore, and Tokyo organised by financial institutions.

Market Survey

HKEx published its Cash Market Transaction Survey 2009/10 in February 2011. The survey revealed that the contribution of overseas investors to the total market turnover rose to 46 per cent in 2009/10 and for the first time surpassed the contribution from local investors. The survey report is available on the HKEx website. HKEx will conduct further surveys later this year to keep track of the degree of participation of different investor types in the Derivatives Market, and the trend and characteristics of retail investor participation in our markets.

Treasury

The Group's funds available for investment comprise Corporate Funds, cash collateral, Margin Funds and Clearing House Funds, totalling \$45.1 billion on average for the six months ended 30 June 2011 (first half of 2010: \$37.2 billion).

As compared with 31 March 2011, the overall size of funds available for investment as at 30 June 2011 increased by 6 per cent or \$2.7 billion to \$44.9 billion (31 March 2011: \$42.2 billion). Details of the asset allocation of the investments as at 30 June 2011 against those as at 31 March 2011 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	10.3	10.9	50%	53%	47%	43%	3%	4%
Cash collateral	4.5	6.3	0%	0%	100%	100%	0%	0%
Margin Funds	26.3	22.3	21%	26%	79%	74%	0%	0%
Clearing House Funds	3.8	2.7	9%	13%	91%	87%	0%	0%
Total	44.9	42.2	25%	29%	74%	70%	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, Margin Funds and Clearing House Funds. Excluding equities and mutual funds held under the Corporate Funds (\$0.3 billion as at 30 June 2011 and \$0.4 billion as at 31 March 2011), which have no maturity date, the maturity profiles of the remaining investments as at 30 June 2011 (\$44.6 billion) and 31 March 2011 (\$41.8 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	10.0	10.5	20%	16%	2%	24%	40%	16%	25%	29%	13%
Cash collateral	4.5	6.3	67%	75%	7%	6%	26%	19%	0%	0%	0%	0%
Margin Funds	26.3	22.3	18%	16%	15%	26%	57%	39%	10%	19%	0%	0%
Clearing House Funds	3.8	2.7	75%	71%	11%	11%	9%	5%	5%	13%	0%	0%
Total	44.6	41.8	28%	28%	11%	22%	46%	28%	12%	18%	3%	4%

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 2011, had a weighted average credit rating of Aa2 (31 March 2011: Aa2) and a weighted average maturity of 1.6 years (31 March 2011: 1.9 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 2011 and the first quarter of 2011 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	24.7	25.9	27.2	27.5	17.5
Cash collateral	0.2	0.3	0.3	0.3	0.1	0.2
Margin Funds	5.8	6.3	7.4	7.5	4.8	5.9
Clearing House Funds	1.4	0.8	1.8	1.2	0.6	0.4

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 2011 \$m	Six months ended 30 Jun 2010 \$m	Change
RESULTS				
Revenue and other income:				
Income affected by market turnover	(A)	2,686	2,332	15%
Stock Exchange listing fees	(B)	467	425	10%
Market data fees	(C)	332	335	(1%)
Other revenue	(D)	246	204	21%
Net investment income	(E)	241	158	53%
		3,972	3,454	15%
Operating expenses		916	776	18%
Profit before taxation		3,056	2,678	14%
Taxation		(472)	(420)	12%
Profit attributable to shareholders		2,584	2,258	14%

The Group recorded a profit attributable to shareholders of \$2,584 million for the first six months of 2011 (first quarter: \$1,238 million; second quarter: \$1,346 million) compared with \$2,258 million for the same period in 2010 (2010 first quarter: \$1,127 million; second quarter: \$1,131 million).

The rise in profit for the six months ended 30 June 2011 against that for 2010 was primarily attributable to the higher turnover-related income resulting from the increase in activity on the Cash and Derivatives Markets, Stock Exchange listing fees, and net investment income but was partly offset by the rise in operating expenses.

Total operating expenses increased over the same period in 2010 mainly due to higher staff costs and the increase in IT and computer maintenance expenses and legal and professional fees for various initiatives under the Strategic Plan 2010-2012.

Revenue and Other Income

(A) Income Affected by Market Turnover

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Change
Trading fees and trading tariff	1,465	1,285	14%
Clearing and settlement fees	827	727	14%
Depository, custody and nominee services fees	394	320	23%
Total	2,686	2,332	15%

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

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

Depository, custody and nominee services fees mainly comprise scrip fees, corporate action fees, stock custody fees, dividend collection fees, and stock withdrawal fees. The fees are generally influenced by the level of Cash Market activity but do not move proportionately with changes in the turnover of the Cash Market as they vary mostly with the number of board lots rather than the value or turnover of the securities concerned and many are subject to a maximum fee. 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 usually large on the first book closing date after a new listing. Depository, custody and nominee services fees rose during the first six months of 2011 primarily due to the increase in scrip fees and stock withdrawal fees.

Key Market Indicators

	Six months ended 30 Jun 2011	Six months ended 30 Jun 2010	Change
Average daily turnover value on the Stock Exchange (\$bn)	73.6	63.8	15%
Average daily number of derivatives contracts traded on the Futures Exchange	250,353	217,639	15%
Average daily number of stock options contracts traded on the Stock Exchange	288,455	221,512	30%

(B) Stock Exchange Listing Fees

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Change
Annual listing fees	216	194	11%
Initial and subsequent issue listing fees	248	229	8%
Others	3	2	50%
Total	467	425	10%

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 drop in the number of newly listed CBBCs.

Key Drivers for Annual Listing Fees

	At 30 Jun 2011	At 30 Jun 2010	Change
Number of companies listed on Main Board	1,284	1,170	10%
Number of companies listed on GEM	164	174	(6%)
Total	1,448	1,344	8%

Key Drivers for Initial and Subsequent Issue Listing Fees

	Six months ended 30 Jun 2011	Six months ended 30 Jun 2010	Change
Number of newly listed DWs	3,662	3,185	15%
Number of newly listed CBBCs	2,380	3,359	(29%)
Number of newly listed companies on Main Board	42	28	50%
Number of newly listed companies on GEM	5	2	150%
Total equity funds raised on Main Board			
– IPOs (\$bn)	174.1	50.3	246%
– Post-IPO (\$bn)	125.5	112.8	11%
Total equity funds raised on GEM			
– IPOs (\$bn)	0.6	0.1	500%
– Post-IPO (\$bn)	4.1	4.8	(15%)

(C) Market Data Fees

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Change
Market data fees	332	335	(1%)

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

(D) Other Revenue

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Change
Network, terminal user, dataline and software sub-license fees	194	163	19%
Participants' subscription and application fees	17	17	0%
Trading booth user fees	8	8	0%
Sales of Trading Rights	13	4	225%
Miscellaneous revenue	14	12	17%
Total	246	204	21%

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

(E) Net Investment Income

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Change
Gross investment income	242	159	52%
Interest rebates to Participants	(1)	(1)	0%
Net investment income	241	158	53%

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

	Six months ended 30 Jun 2011 \$bn	Six months ended 30 Jun 2010 \$bn	Change
Corporate Funds	10.7	9.1	18%
Cash collateral	4.4	3.7	19%
Margin Funds	26.9	22.3	21%
Clearing House Funds	3.1	2.1	48%
Total	45.1	37.2	21%

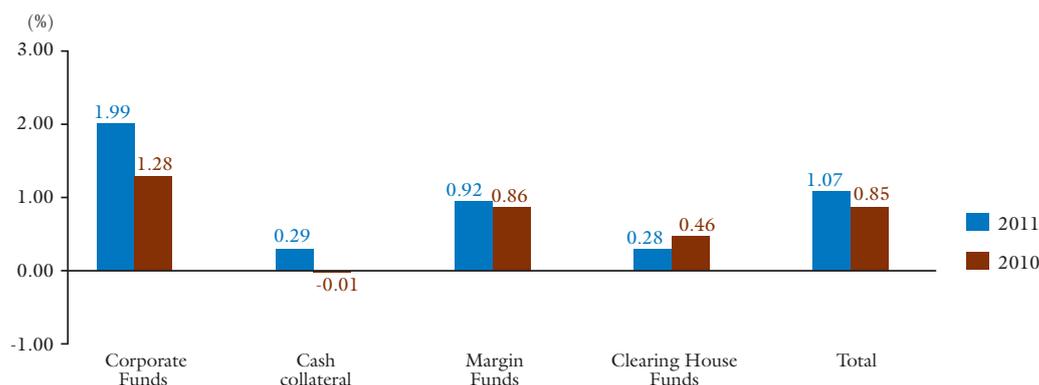
The average amount of Corporate Funds increased mainly due to the increase in profit retained from prior years and the profit generated in the first six months of 2011.

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

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

The higher net investment income was primarily attributable to higher interest income earned across all funds and the increase in fair value gains on equity investments of Corporate Funds. However, the higher return was partly offset by the decline in fair value gains on investments of Margin Funds and Clearing House Funds.

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 higher net return of Corporate Funds was mainly due to the fair value gains on equity investments during the period as opposed to fair value losses in the corresponding period in 2010.

The higher net return of cash collateral during the period was mainly attributable to the allocation of a portion of the funds (2010: \$Nil) to longer-term time deposits for yield enhancement.

The higher net return of Margin Funds during the period was mainly due to higher interest income earned from increases in bank deposit rates, but the higher return was partly offset by the drop in fair value gains on investments which include certain principal-guaranteed structured notes and principal-guaranteed structured deposits.

The lower net return of the Clearing House Funds during the period was mainly attributable to the decline in fair value gains of investments which include certain principal-guaranteed structured notes.

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

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

Operating Expenses

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Change
Staff costs and related expenses	518	421	23%
IT and computer maintenance expenses	149	128	16%
Premises expenses	106	105	1%
Product marketing and promotion expenses	9	8	13%
Legal and professional fees	17	6	183%
Depreciation	50	53	(6%)
Other operating expenses	67	55	22%
Total	916	776	18%

Staff costs and related expenses increased by \$97 million, primarily due to higher salary costs as a result of a 5 per cent increase in permanent headcount (from 853 at 30 June 2010 to 894 at 30 June 2011) mainly for various new initiatives under the Strategic Plan 2010-2012 and salary adjustments to keep up with the market trend, an increase in employee share-based compensation expenses from the Awarded Shares granted in 2010, and an increase in performance bonus accrual.

IT and computer maintenance expenses consumed by the Group (ie, excluding costs of services and goods directly consumed by the Participants of \$74 million (2010: \$58 million)) were \$75 million (2010: \$70 million). The rise in costs of services and goods directly consumed by the Participants was caused by the increase in Cash Market trading system line rentals due to bandwidth upgrade and purchases of hardware and software for replacement of obsolete items by the Participants. Costs of services and goods directly consumed by Participants are mostly recovered from the Participants, and the income is included as part of the network, terminal user, dataline and software sub-license fees under Other Revenue.

Legal and professional fees increased on account of various initiatives such as OTC clearing and RMB Equity Trading Support Facility.

Other operating expenses rose mainly due to the fees for additional bank credit facilities for strengthening the Group's liquidity and risk management measures, higher overseas travel expenses for various initiatives, and sundry increases in other expenses.

Taxation

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Change
Taxation	472	420	12%

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

Comparison of 2011 Second Quarter Performance with 2011 First Quarter Performance

	Three months ended 30 Jun 2011 \$m	Three months ended 31 Mar 2011 \$m	Change
Revenue and other income:			
Income affected by market turnover:			
Trading fees and trading tariff	700	765	(8%)
Clearing and settlement fees	409	418	(2%)
Depository, custody and nominee services fees	322	72	347%
	1,431	1,255	14%
Stock Exchange listing fees	221	246	(10%)
Market data fees	164	168	(2%)
Other revenue	119	127	(6%)
Net investment income	130	111	17%
	2,065	1,907	8%
Operating expenses	474	442	7%
Profit before taxation	1,591	1,465	9%
Taxation	(245)	(227)	8%
Profit attributable to shareholders	1,346	1,238	9%

Profit attributable to shareholders increased from \$1,238 million in the first quarter of 2011 to \$1,346 million in the second quarter. The increase in profit was mainly driven by the increase in depository, custody and nominee services fees but was partly offset by a decline in trading fees and trading tariff and the increase in operating expenses.

Trading fees and trading tariff fell in the second quarter due to the decrease in activity on the Cash and Derivatives Markets. However, depository, custody and nominee services fees rose significantly as a result of an increase in scrip fee income due to seasonal fluctuations.

Stock Exchange listing fees dropped in the second quarter mainly due to the decrease in the number of newly listed DWs and CBBCs but partly offset by a higher number of newly listed companies.

Net investment income rose mainly due to higher interest income earned across all funds as a result of increases in bank deposit rates. However, fair value gains on investments measured at fair value (including certain principal-guaranteed structured notes and principal-guaranteed structured deposits) were lower in the second quarter of 2011 than in the first quarter, reflecting market movements.

Key Market Indicators

	Three months ended 30 Jun 2011	Three months ended 31 Mar 2011	Change
Average daily turnover value on the Stock Exchange (\$bn)	71.1	75.9	(6%)
Average daily number of derivatives contracts traded on the Futures Exchange	254,175	246,687	3%
Average daily number of stock options contracts traded on the Stock Exchange	276,966	299,477	(8%)

Operating expenses increased by 7 per cent mainly due to higher staff costs attributable to higher performance bonus accrual and increase in permanent headcount in the second quarter of 2011.

Taxation increased in the second quarter mainly due to the higher profit before taxation but partly offset by the increase in non-taxable investment income.

Working Capital

Working capital increased by \$719 million or 11 per cent to \$7,093 million at 30 June 2011 (31 December 2010: \$6,374 million). The increase was primarily due to the profit generated during the six months ended 30 June 2011 of \$2,584 million, the decrease in non-current financial assets of \$649 million, and the increase in other working capital of \$53 million. The increase was partly offset by the payment of the 2010 final dividend, net of the scrip dividend, of \$2,384 million in May 2011 and the increase in fixed assets of \$183 million.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes. At 30 June 2011, the Group's total available banking facilities amounted to \$13,010 million (31 December 2010: \$13,010 million), which included \$4,000 million of committed banking facilities that provide for same day borrowing in HKD and/or RMB (31 December 2010: \$4,000 million) and \$9,000 million (31 December 2010: \$9,000 million) of repurchase facilities.

Borrowings by the Group have been rare and are mostly event driven, with little seasonality. At 30 June 2011 and 31 December 2010, the Group had no bank borrowings and therefore maintained a zero gearing.

At 30 June 2011, 98 per cent (31 December 2010: 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.

Capital Expenditures and Capital Commitments

During the first six months of 2011, the Group incurred capital expenditures of \$233 million (2010: \$30 million) which were mainly on the new Data Centre at Tseung Kwan O with hosting service capability and the upgrade of the Cash Market trading system and Market Datafeed system. The Group's capital expenditure commitments at 30 June 2011, including those authorised by the Board but not yet contracted for, amounted to \$1,886 million (31 December 2010: \$2,075 million) and were mainly related to the construction of the new Data Centre at Tseung Kwan O, the upgrade and enhancement of trading and clearing systems, and other initiatives. The Group has adequate internal resources to fund its capital expenditure commitments.

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, and material acquisitions or disposals of subsidiaries during the period under review. Apart from the construction of the new Data Centre in Tseung Kwan O with hosting service capability and the establishment of a clearing house for OTC derivatives traded in Hong Kong, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this Interim Report.

Charges on Assets

None of the Group's assets was pledged at 30 June 2011 or 31 December 2010.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

At 30 June 2011, the aggregate net open foreign currency positions amounted to HK\$2,980 million, of which HK\$366 million were non-USD exposures (31 December 2010: HK\$2,401 million, of which HK\$375 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK\$2,900 million (31 December 2010: HK\$3,749 million). All forward foreign exchange contracts would mature within 2 months (31 December 2010: 2 months).

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

Contingent Liabilities

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

Changes since 31 December 2010

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

OPERATIONAL REVIEW

Organisational Change

As several of the major initiatives require organisation-wide coordination to ensure successful implementation and the least disruption to the existing operations, HKEx appointed Mr Joseph Meyer as its first Chief Administrative Officer effective 8 July 2011. Mr Meyer also oversees the office administration and human resources functions.

Mr Eric Yip's resignation from his position as Deputy Chief Operating Officer became effective 1 April 2011, and Ms Brenda Yen retired as Head of Human Resources Department on 3 August 2011. The Company thanked them both for their valuable contributions over the past years.

The updated organisation chart is posted on the HKEx website.

Employees

As at the end of June 2011, the Group had 939 employees, including 45 temporary staff (31 December 2010: 883 employees, including 17 temporary staff). HKEx's remuneration policy has remained unchanged since the 2010 Annual Report. Information regarding employees' remuneration and benefits for the six months ended 30 June 2011 is set out in note 7 to the condensed consolidated accounts of this Interim Report.

HKEx encourages and supports its employees to reach their full potential through training and career development. In the first half of 2011, 60 in-house courses were organised, which collectively attracted more than 1,800 participants. Moreover, a total of 135 employees attended external seminars, while 40 employees participated in HKEx's e-learning scheme.

Long Term Incentive Schemes

HKEx currently operates a Share Award Scheme for the purpose of recognising the contributions of certain employees and retaining them. Prior to the adoption of the Share Award Scheme, HKEx implemented 2 share option schemes, the Pre-Listing Scheme and the Post-Listing Scheme, both of which expired on 30 May 2010.

Share Option Schemes

All options granted under the Pre-Listing Scheme were exercised, and unexercised options under the Post-Listing Scheme will continue to be valid and exercisable subject to the provisions of the scheme until the end of the respective exercise periods.

Movements in the share options granted under the Post-Listing Scheme during the six months ended 30 June 2011 are set out below.

Date of grant	Exercise price \$	Number of shares issuable under the options				Exercise ² period
		As at 1 Jan 2011	Issued upon ¹ subscription during the six months ended 30 Jun 2011	Cancelled/ lapsed during the six months ended 30 Jun 2011	As at 30 Jun 2011	
Employees³						
31 Mar 2004	16.96	469,500	16,500	–	453,000	31 Mar 2006 – 30 Mar 2014
17 May 2004	15.91	100,000	75,000	–	25,000	17 May 2006 – 16 May 2014
26 Jan 2005	19.25	885,000	178,400 ⁴	–	706,600	26 Jan 2007 – 25 Jan 2015

Notes:

- 1 The weighted average closing price immediately before the dates on which the options were exercised was \$174.39.
- 2 Options granted were subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and became fully vested on the fifth anniversary of the grant.
- 3 Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance of Hong Kong.
- 4 This excluded 18,000 shares which were issued on 4 July 2011 upon an exercise of option on 30 June 2011.

Share Award Scheme

The Share Award Scheme was adopted by the Board on 14 September 2005 (Adoption Date), and was subsequently amended on 16 August 2006 and 13 May 2010. The amended and restated rules together with the trust deed of the Share Award Scheme are available on the HKEx website.

Since the Adoption Date, a total of 2,756,823 shares have been awarded up to the date of this Interim Report, representing about 0.26 per cent of HKEx's issued share capital as at the Adoption Date. Details of the Awarded Shares which remain outstanding 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 ² fair value per share \$	Number of Awarded Shares vested during the six months ended 30 Jun 2011	Vesting period
13 Dec 2006	15 Jan 2007	19,673	272,500	272,465	72.28	-	13 Dec 2008 – 13 Dec 2011
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
10 Dec 2008	3 Feb 2009	4,900	59,900	59,900	81.96	14,975	1 Jan 2011 – 1 Jan 2014
23 Apr 2010	10 Jun 2010	88,516	720,100	720,054 ³	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
14 Dec 2010	31 Dec 2010	91,303	518,100	518,039 ³	176.75	-	14 Dec 2012 – 14 Dec 2013
14 Dec 2010	30 Mar 2011	570	3,300	3,300	169.92	-	13 Jan 2013 – 13 Jan 2014
14 Dec 2010	30 Mar 2011	2,310	13,600	13,600	169.92	-	1 Feb 2013 – 1 Feb 2014
14 Dec 2010	8 Apr 2011	263	1,400	1,400	179.55	-	1 Apr 2013 – 1 Apr 2014
14 Dec 2010	9 Jun 2011	570	3,300	3,300	171.59	-	26 Apr 2013 – 26 Apr 2014
14 Dec 2010	8 Jul 2011	1,560	9,200	9,200	168.87	-	8 Jul 2013 – 8 Jul 2014

Notes:

- 1 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 The fair value of the Awarded Shares was based on the average purchase cost per share.
- 3 73,217 shares and 40,856 shares were awarded to our Chief Executive on 10 June and 31 December 2010 respectively.

As at 30 June 2011, there were a total of 1,681,280 shares held in trust by the trustee under the Share Award Scheme including the shares further acquired out of the dividends derived from the shares held under the trust.

Corporate Governance

The Government Appointed Directors and our 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 respectively. Save as disclosed in this paragraph, HKEx complied with all the code provisions and, where appropriate, adopted the recommended best practices, as set out in the CG Code (Appendix 14 to the Main Board Listing Rules) throughout the review period.

As of 15 May 2011, the Global and Home Market Ratings assigned to HKEx by GovernanceMetrics International Inc, a corporate governance ratings and research firm, were 8 and 10 respectively, out of the maximum of 10.

In the first half of this year, *Corporate Governance Asia* (CGA) included HKEx in the Best Investor Relations (Hong Kong Company) category of its Asian Excellence Recognition Awards 2011 as well as, for the second consecutive year, its Corporate Governance Asia Recognition Awards 2011. In addition, our Chief Executive, Mr Charles Li, was chosen as one of Asia's Best CEOs (Investor Relations) in CGA's Asian Excellence Recognition Awards 2011 as well as one of the recipients of its Asian Corporate Director Recognition Awards 2011.

In February 2011, HKEx announced the results of the Board performance evaluation which was conducted in October 2010. Taking into account the consultant's recommendation from the evaluation, and the Exchange's proposed changes to the CG Code, (i) the CSR Committee was restructured to become the Environmental, Social and Governance (ESG) Committee and its terms of reference (TOR) were revised to include the corporate governance (CG) functions of the Company effective April 2011; (ii) a Shareholders Communication Policy was adopted in April 2011 to ensure that Shareholders are provided with ready, equal, and timely access to balanced and understandable information of the Company; and (iii) the Nomination Committee's TOR were revised effective May 2011 to include additional duties, including reviewing the time required from a Director to perform his/her responsibilities. The updated TOR of the ESG Committee and Nomination Committee as well as the Shareholders Communication Policy are available on the HKEx website.

At the 2011 AGM, Shareholders approved the Board's proposal to amend HKEx's Articles, which were related to (i) HKEx's corporate communications; (ii) the notice period for Shareholders' nomination of Directors; and (iii) minor housekeeping changes. The revised Articles took effect on 13 May 2011, the date we received the SFC's written approval, and are available on the HKEx website.

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

CSR Development

In March 2011, HKEx published its 2010 CSR Report, which achieved a Global Reporting Initiative application level A+, on the HKEx website. HKEx continued to support the Carbon Disclosure Project by responding to the annual investor information request in May 2011.

During the period under review, HKEx organised various CSR-related training for employees to promote responsible workplace practices, employee well-being, and environmental protection. The topics covered personal data protection and anti-discrimination practices in the workplace, building stress resilience and emotional competence, first-aid care in the workplace, and waste management in Hong Kong. There was also a visit to EcoPark in Tuen Mun.

HKEx joined the Give & Gain Day 2011 campaign in Hong Kong from 18 to 26 June 2011 to encourage employees to give back to the community by providing volunteer service during work hours. A total of 55 HKEx volunteers contributed over 280 service hours to serve different community groups, namely (i) a group of about 40 children, some with special needs, through a one-day community exploration programme with the aim of promoting social integration; (ii) over 150 children from Laichikok Catholic Primary School and their parents through a financial literacy programme to help the children develop sound and responsible money management practices; and (iii) residents of the Barnabas Lamma Island Drug Rehabilitation Centre through an organic farming and new life project to give care and support to them.

In recognition of its CSR performance, HKEx continues to be recognised as a Caring Company by The Hong Kong Council of Social Service, and included in the Dow Jones Sustainability Asia Pacific Index, the FTSE4Good Index Series, and the Hang Seng Corporate Sustainability Index Series. In addition, HKEx received the Corporate Volunteer Team Excellence Award 2010 from The Boys' and Girls' Clubs Association of Hong Kong in March 2011, and was the Champion of the Corporate Charity Cup (50 Trees) in the Tree Planting Challenge organised by the Friends of the Earth (HK) in April 2011.

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

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 a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code throughout the six months ended 30 June 2011.

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

As at 30 June 2011, 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	116,591 ²	–	–	–	116,591	0.01
John E Strickland	18,000 ³	–	–	–	18,000	0.00

Notes:

- 1 Based on 1,078,949,163 HKEx shares in issue as at 30 June 2011
- 2 Being Mr Li's interests in 114,073 Awarded Shares and 2,518 shares further acquired out of the dividends derived from such Awarded Shares according to the Share Award Scheme. Details of Mr Li's Awarded Shares are set out in the Operational Review of this Interim Report.
- 3 Mr Strickland was the beneficial owner of those shares.

Save for those disclosed above, as at 30 June 2011, 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 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 2011, 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

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 SFC's approval, 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 granted approval to 8 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 2011, the 8 approved Minority Controllers in aggregate held approximately 60 per cent of HKEx's issued share capital.

As at 30 June 2011, 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
Deutsche Bank Aktiengesellschaft	Beneficial owner	42,398,938	65,751,240 ²	6.09
	Investment manager	2,192,200		
	Person having a security interest in shares	20,105,573		
	Custodian corporation/ approved lending agent	1,054,529		
The Government of the Hong Kong Special Administrative Region (for the account of the Exchange Fund)	Beneficial owner	62,919,500 ³	62,919,500	5.83

Short positions in shares and underlying shares of HKEx

Name	Capacity	Number of shares/ underlying shares held	Total	% of the issued ¹ share capital
Deutsche Bank Aktiengesellschaft	Beneficial owner Person having a security interest in shares	40,570,843 } 19,475,692 }	60,046,535 ⁴	5.56

Notes:

- 1 Based on 1,078,949,163 HKEx shares in issue as at 30 June 2011
- 2 It included interests in 39,789,200 underlying shares through its holding of certain cash settled unlisted equity derivatives, and 1,054,529 shares in the lending pool.
- 3 Based on a disclosure of interest filing made by the Hong Kong Government on 10 September 2007 which it stated was voluntary
- 4 It included interests in 39,084,707 underlying shares through its holding of certain cash settled unlisted equity derivatives.

Save for those disclosed above, as at 30 June 2011, 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.

Purchase, Sale or Redemption of HKEx's Listed Securities

During the six months ended 30 June 2011, 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 21,600 HKEx shares at a consideration of about \$3.7 million.

INFORMATION FOR STAKEHOLDERS

Interim Report

This Interim Report is printed in English and Chinese and is available in the Investor Relations section of the HKEx website. Shareholders can elect to receive printed or electronic version. Should Shareholders elect electronic version, HKEx will donate \$50 to a charity with a focus on environmental protection subject to a cap of \$100,000 per annum. Shareholders are encouraged to access HKEx's corporate communications electronically via the HKEx website, which helps conserve the environment. Shareholders may at any time change their choice of language or means of receiving HKEx's corporate communications free of charge by giving at least a 7-day notice in writing to HKEx's registrar, Hong Kong Registrars Limited, or by email to hkex.ecom@computershare.com.hk.

Stakeholders who are interested in receiving information about HKEx may register at the Investment Service Centre on the HKEx website, and upon successful registration, will receive alerts when HKEx publishes its corporate communications on the HKExnews website.

Interim Dividend

The Board has declared an interim dividend of \$2.16 per share (2010: \$1.89 per share), amounting to a total of about \$2,331 million (2010: \$2,307 million) for the year ending 31 December 2011 which includes dividends of about \$4 million (2010: \$3 million) for shares held in trust under the Share Award Scheme.

Scrip Dividend Alternative

The interim dividend will be payable in cash with a scrip dividend alternative to Shareholders whose names appear on HKEx's ROM at the close of business on Tuesday, 30 August 2011. The scrip dividend alternative is conditional upon the SFC's granting the listing of, and permission to deal in, HKEx's new shares to be issued pursuant thereto.

A circular containing details of the scrip dividend alternative together with an election form will be despatched to Shareholders on or about Wednesday, 7 September 2011. Definitive share certificates in respect of the scrip dividend and dividend warrants will be despatched to Shareholders on or about Thursday, 6 October 2011.

Closure of Register of Members

HKEx's ROM will be closed and no transfer of shares will be registered from Friday, 26 August 2011 to Tuesday, 30 August 2011, 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, 25 August 2011.

Financial Calendar

2011 AGM	20 April 2011
Announcement of first quarter results	11 May 2011
Announcement of interim results	10 August 2011
Ex-dividend date for interim dividend	24 August 2011
Closure of ROM	26 to 30 August 2011
Record date for interim dividend	30 August 2011
Despatch of scrip dividend circular and election form	on or about 7 September 2011
Despatch of dividend warrants/definitive share certificates	on or about 6 October 2011
Announcement of third quarter results (tentative)	November 2011
Announcement of final results (tentative)	February 2012

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
As a Dow Jones Sustainability Asia Pacific Index component stock	since 20 September 2010

Board Lot 100 shares

Market Capitalisation as at 30 June 2011

Public float capitalisation	\$176.0 billion
Number of issued shares	1,078,949,163 shares
Closing price	\$163.1 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

Share Price and Turnover History

	Price per Share (\$)		Turnover * (in million)	
	Highest	Lowest	Shares	\$
2010				
July	128.5	119.2	68.2	8,438.8
August	134.6	120.0	108.9	13,897.8
September	153.0	120.9	181.2	25,368.2
October	185.9	152.7	221.9	38,107.3
November	198.6	173.0	205.2	37,819.2
December	186.7	172.3	99.9	17,948.9
2011				
January	190.6	176.6	102.2	18,806.8
February	181.8	163.0	141.4	24,021.9
March	173.8	159.6	124.6	20,707.3
April	186.5	169.0	138.8	24,996.4
May	178.6	167.0	78.2	13,429.6
June	175.0	156.8	117.2	19,210.9

* Figures have been rounded.

HKEx's Registrar and Transfer Office

Hong Kong Registrars Limited

Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Tel. No.: +852 2862 8555

Fax No.: +852 2865 0990/+852 2529 6087

Our Contact Information

Registered Office

12th Floor, One International Finance Centre,
1 Harbour View Street, Central, Hong Kong

Tel. No.: +852 2522 1122

Fax No.: +852 2295 3106

Email address: info@hkex.com.hk

Website: www.hkex.com.hk

Beijing Representative Office

Ren Guang Ming, Chief Representative
Suite 1002, Level 10, Tower W2, The Towers,
Oriental Plaza, No. 1 East Chang An Avenue,
Dong Cheng District, Beijing 100738, China

Tel. No.: +8610 8519 0288

Fax No.: +8610 8518 3288

Email address: bj@hkex.com.hk

Shanghai Special Representative

Maggie Cao, Special Representative
Units 903-05, 9th Floor, HSBC Building,
Shanghai IFC, 8 Century Avenue, Pudong,
Shanghai 200120, China

Tel. No.: +8621 6058 6130

Fax No.: +8621 6087 5762

Email address: maggiacao@hkex.com.hk

Guangzhou Special Representative

Franky Chung, Special Representative
Room 2503, 25th Floor, HNA Tower,
No. 8 Linhezhong Road,
Tianhe District, Guangzhou 510610, China

Tel. No.: +8620 8550 1459

Fax No.: +8620 8550 1035

Email address: frankychung@hkex.com.hk

Chief Marketing Officer

Lawrence Fok
12th Floor, One International Finance Centre,
1 Harbour View Street, Central, Hong Kong

Tel. No.: +852 2840 3050

Fax No.: +852 2521 7060

Email address: lawrencefok@hkex.com.hk

Corporate Communications/Investor Services

Henry Law, Head of Corporate Communications
Department

12th Floor, One International Finance Centre,
1 Harbour View Street, Central, Hong Kong

Tel. No.: +852 2840 3861

Fax No.: +852 2868 4270

Email address: info@hkex.com.hk

Listing

Mark Dickens, Head of Listing Division
11th Floor, One International Finance Centre,
1 Harbour View Street, Central, Hong Kong

Tel. No.: +852 2840 3036

Fax No.: +852 2295 4806

Email address: hol@hkex.com.hk

Market Development

Romnesh Lamba, Head of Market Development
Division

12th Floor, One International Finance Centre,
1 Harbour View Street, Central, Hong Kong

Tel. No.: +852 2840 3829

Fax No.: +852 2537 1168

Email address: imd@hkex.com.hk

Secondary Market

Gerald Greiner, Chief Operating Officer
12th Floor, One International Finance Centre,
1 Harbour View Street, Central, Hong Kong

Tel. No.: +852 2840 3312

Fax No.: +852 2295 0935

Email address: geraldgreiner@hkex.com.hk

Secretarial Services

Joseph Mau, Company Secretary and
Head of Secretarial Services Department
12th Floor, One International Finance Centre,
1 Harbour View Street, Central, Hong Kong

Tel. No.: +852 2840 3872

Fax No.: +852 2878 7029

Email address: ssd@hkex.com.hk

AUDIT COMMITTEE REPORT

The Audit Committee (AC) comprises 5 Independent Non-executive Directors appointed by the Board, who have extensive experience in financial matters. Among them, Messrs John Harrison, Vincent Lee and Ignatius Chan are certified public accountants, and Mr John 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 in 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 21 February 2011, the AC reviewed the 2010 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 2011. At its meeting held on 5 May 2011, the AC reviewed and approved the external auditor's proposed audit fees for the financial year 2011.

On 4 August 2011, the AC reviewed HKEx's 2011 Interim Report, including the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011, 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 45.

Based on these reviews and discussions with the 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 2011. The AC therefore recommended the unaudited condensed consolidated financial statements for the six months ended 30 June 2011 be approved by the Board.

Members of the Audit Committee

John Barrie HARRISON (Chairman)

LEE Kwan Ho, Vincent Marshall (Deputy Chairman)

CHAN Tze Ching, Ignatius

KWOK Chi Piu, Bill

John Mackay McCulloch WILLIAMSON

Hong Kong, 4 August 2011

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 46 to 67, which comprises the condensed consolidated statement of financial position of Hong Kong Exchanges and Clearing Limited (the “Company”) and its subsidiaries as at 30 June 2011 and the related condensed 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, 10 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2011 \$m	Three months ended 30 Jun 2010 \$m
Trading fees and trading tariff	3	1,465	1,285	700	632
Stock Exchange listing fees	4	467	425	221	204
Clearing and settlement fees		827	727	409	362
Depository, custody and nominee services fees		394	320	322	247
Market data fees		332	335	164	166
Other revenue	5	246	204	119	96
REVENUE AND TURNOVER		3,731	3,296	1,935	1,707
Investment income		242	159	130	33
Interest rebates to Participants		(1)	(1)	-	-
Net investment income	6	241	158	130	33
	2	3,972	3,454	2,065	1,740
OPERATING EXPENSES					
Staff costs and related expenses	7	518	421	274	212
Information technology and computer maintenance expenses	8	149	128	77	64
Premises expenses		106	105	54	52
Product marketing and promotion expenses		9	8	5	5
Legal and professional fees		17	6	7	4
Depreciation		50	53	24	26
Other operating expenses		67	55	33	28
	2	916	776	474	391
PROFIT BEFORE TAXATION	2	3,056	2,678	1,591	1,349
TAXATION	9	(472)	(420)	(245)	(218)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		2,584	2,258	1,346	1,131
Basic earnings per share	11(a)	\$2.40	\$2.10	\$1.25	\$1.05
Diluted earnings per share	11(b)	\$2.39	\$2.09	\$1.25	\$1.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	At 30 Jun 2011			At 31 Dec 2010		
		Current \$m	Non- current \$m	Total \$m	Current \$m	Non- current \$m	Total \$m
ASSETS							
Cash and cash equivalents	12	20,899	–	20,899	19,361	–	19,361
Financial assets measured at fair value through profit or loss	13	9,864	786	10,650	9,949	1,241	11,190
Financial assets measured at amortised cost	14	12,842	589	13,431	7,021	783	7,804
Accounts receivable, prepayments and deposits	15	6,899	5	6,904	9,203	3	9,206
Fixed assets		–	478	478	–	295	295
Lease premium for land		–	25	25	–	25	25
Deferred tax assets		–	4	4	–	3	3
Total assets		50,504	1,887	52,391	45,534	2,350	47,884
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits from Clearing Participants on derivatives contracts	17	26,332	–	26,332	22,702	–	22,702
Cash collateral from HKSCC Clearing Participants	18	4,538	–	4,538	3,594	–	3,594
Accounts payable, accruals and other liabilities	19	8,349	–	8,349	9,946	–	9,946
Deferred revenue		310	–	310	473	–	473
Taxation payable		574	–	574	320	–	320
Other financial liabilities		65	–	65	58	–	58
Participants' contributions to Clearing House Funds	20	3,212	–	3,212	2,039	–	2,039
Provisions		31	29	60	28	29	57
Deferred tax liabilities		–	29	29	–	18	18
Total liabilities		43,411	58	43,469	39,160	47	39,207
Equity							
Share capital	21			1,079			1,078
Share premium	21			528			416
Shares held for Share Award Scheme	21			(225)			(219)
Employee share-based compensation reserve	22			94			56
Designated reserves	20, 23			581			580
Retained earnings	24			6,865			6,766
Shareholders' funds				8,922			8,677
Total liabilities and equity				52,391			47,884
Net current assets				7,093			6,374
Total assets less current liabilities				8,980			8,724

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 2011	1,275	56	580	6,766	8,677
Profit attributable to shareholders	–	–	–	2,584	2,584
2010 final dividend at \$2.31 per share	–	–	–	(2,487)	(2,487)
Unclaimed dividends forfeited	–	–	–	3	3
Shares issued upon exercise of employee share options	5	–	–	–	5
Shares issued in lieu of cash dividends	103	–	–	–	103
Shares purchased for Share Award Scheme	(4)	–	–	–	(4)
Vesting of shares of Share Award Scheme	2	(2)	–	–	–
Employee share-based compensation benefits	–	41	–	–	41
Transfer of reserves	1	(1)	1	(1)	–
At 30 Jun 2011	1,382	94	581	6,865	8,922

	Share capital, share premium and shares held for Share Award Scheme \$m	Employee share-based compensation reserve \$m	Designated reserves \$m	Retained earnings \$m	Total equity \$m
At 1 Jan 2010	1,400	43	563	6,021	8,027
Profit 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 upon exercise of employee share options	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Note	Six months ended 30 Jun 2011 \$m	As restated Six months ended 30 Jun 2010 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash inflow from operating activities	25	3,500	2,755
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of fixed assets		(114)	(17)
Net proceeds from sales of fixed assets		–	1
Payments for acquisition of lease premium for land		–	(26)
Net decrease/(increase) in financial assets of the Corporate Funds:			
Decrease/(increase) in time deposits with original maturities more than three months		649	(606)
Payments for purchases of financial assets measured at amortised cost (excluding time deposits)		(1,079)	(230)
Net proceeds from sales or maturity of financial assets measured at amortised cost (excluding time deposits)		1,191	377
Net proceeds from sales or maturity of financial assets measured at fair value through profit or loss		–	372
Interest received from financial assets measured at amortised cost (excluding time deposits)		8	8
Interest received from financial assets measured at fair value through profit or loss		85	99
Net cash inflow/(outflow) from investing activities		740	(22)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of employee share options		5	31
Purchase of shares for Share Award Scheme		(4)	(91)
Dividends paid		(2,366)	(2,236)
Net cash outflow from financing activities		(2,365)	(2,296)
Net increase in cash and cash equivalents		1,875	437
Cash and cash equivalents at 1 Jan 2011/1 Jan 2010, as previously reported		1,945	4,751
Effect of change in accounting policy of cash collateral		–	(3,432)
Cash and cash equivalents at 30 Jun		3,820	1,756
Analysis of cash and cash equivalents			
Cash at bank and in hand		1,136	959
Time deposits with original maturities within three months		2,684	797
Cash and cash equivalents at 30 Jun		3,820	1,756

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 2010 annual accounts. The accounting policies and methods of computation used in the preparation of these accounts and segment information are consistent with those used in the annual accounts and segment information for the year ended 31 December 2010.

Adoption of revised Hong Kong Financial Reporting Standards (HKFRSs) and accounting policy in the fourth quarter of 2010

As disclosed in the 2010 annual accounts, Hong Kong Exchanges and Clearing Limited (HKEx) and its subsidiaries (Group) early adopted Improvements to HKFRSs (2010), which comprise a number of minor and non-urgent amendments to a range of HKFRSs. Of these, the amendments to HKAS 34: Interim Financial Reporting are pertinent to the preparation of these condensed consolidated financial statements. The adoption of the amendments did not have any financial impact on the Group as it only affects certain disclosures.

The Group also revised its accounting policy for cash and cash equivalents of cash collateral, and they are no longer treated as cash and cash equivalents of the Group for the purpose of condensed consolidated statement of cash flows. 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 (SEOCH) 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 providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Clearing House Funds.

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

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

	Six months ended 30 Jun 2011				
	Cash	Derivatives	Clearing	Market	Group
	Market	Market	Business	Data	
\$m	\$m	\$m	\$m	\$m	
Income from external customers	1,695	403	1,300	333	3,731
Net investment income	47	144	50	-	241
	1,742	547	1,350	333	3,972
Operating expenses					
Direct costs	335	88	182	36	641
Indirect costs	133	37	86	19	275
	468	125	268	55	916
Reportable segment profit before taxation	1,274	422	1,082	278	3,056

	Six months ended 30 Jun 2010				
	Cash	Derivatives	Clearing	Market	Group
	Market	Market	Business	Data	
\$m	\$m	\$m	\$m	\$m	
Income from external customers	1,492	356	1,112	336	3,296
Net investment income	33	105	20	-	158
	1,525	461	1,132	336	3,454
Operating expenses					
Direct costs	309	80	156	29	574
Indirect costs	100	27	61	14	202
	409	107	217	43	776
Reportable segment profit before taxation	1,116	354	915	293	2,678

3. Trading Fees and Trading Tariff

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2011 \$m	Three months ended 30 Jun 2010 \$m
Trading fees and trading tariff were derived from:				
Securities traded on the Cash Market	1,033	901	492	437
Derivatives contracts traded on the Derivatives Market	432	384	208	195
	1,465	1,285	700	632

4. Stock Exchange Listing Fees

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

	Six months ended 30 Jun 2011				Six months ended 30 Jun 2010			
	Equity		CBBCs, DWs & others \$m	Total \$m	Equity		CBBCs, DWs & others \$m	Total \$m
	Main Board \$m	GEM \$m			Main Board \$m	GEM \$m		
Stock Exchange Listing Fees								
Annual listing fees	203	12	1	216	181	12	1	194
Initial and subsequent issue listing fees	39	3	206	248	33	2	194	229
Other listing fees	3	-	-	3	2	-	-	2
Total	245	15	207	467	216	14	195	425
Costs of Listing Function								
Direct costs	127	28	8	163	114	26	9	149
Indirect costs	27	5	8	40	20	3	6	29
Total costs	154	33	16	203	134	29	15	178
Contribution to Cash Market Segment Profit before Taxation	91	(18)	191	264	82	(15)	180	247

4. Stock Exchange Listing Fees (continued)

	Three months ended 30 Jun 2011				Three months ended 30 Jun 2010			
	Equity		CBBCs, DWs & others	Total	Equity		CBBCs, DWs & others	Total
	Main Board	GEM			Main Board	GEM		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Stock Exchange Listing Fees								
Annual listing fees	102	6	1	109	91	6	1	98
Initial and subsequent issue listing fees	24	1	85	110	17	1	87	105
Other listing fees	2	-	-	2	1	-	-	1
Total	128	7	86	221	109	7	88	204
Costs of Listing Function								
Direct costs	65	15	4	84	56	13	5	74
Indirect costs	15	3	3	21	10	1	3	14
Total costs	80	18	7	105	66	14	8	88
Contribution to Cash Market Segment Profit before Taxation	48	(11)	79	116	43	(7)	80	116

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, 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 2011 \$m	Six months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2011 \$m	Three months ended 30 Jun 2010 \$m
Network, terminal user, dataline and software sub-license fees	194	163	93	78
Participants' subscription and application fees	17	17	8	8
Trading booth user fees	8	8	4	4
Sales of Trading Rights	13	4	6	-
Miscellaneous revenue	14	12	8	6
	246	204	119	96

6. Net Investment Income

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2011 \$m	Three months ended 30 Jun 2010 \$m
Gross interest income	103	49	62	27
Interest rebates to Participants	(1)	(1)	-	-
Net interest income	102	48	62	27
Net fair value gains including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	133	110	64	8
Losses on disposal of financial assets measured at amortised cost	-	(4)	-	(4)
Others	6	4	4	2
Net investment income	241	158	130	33

7. Staff Costs and Related Expenses

Staff costs and related expenses comprised the following:

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2011 \$m	Three months ended 30 Jun 2010 \$m
Salaries and other short-term employee benefits	443	380	236	190
Employee share-based compensation benefits	41	10	21	7
Retirement benefit costs (note 28(b))	34	31	17	15
	518	421	274	212

8. Information Technology and Computer Maintenance Expenses

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2011 \$m	Three months ended 30 Jun 2010 \$m
Costs of services and goods:				
– consumed by the Group	75	70	40	35
– directly consumed by Participants	74	58	37	29
	149	128	77	64

9. Taxation

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

	Six months ended 30 Jun 2011 \$m	Six months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2011 \$m	Three months ended 30 Jun 2010 \$m
Provision for Hong Kong Profits Tax at 16.5% (2010: 16.5%)	462	424	245	219
Deferred taxation	10	(4)	-	(1)
	472	420	245	218

10. Dividends

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

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 2011	Six months ended 30 Jun 2010	Three months ended 30 Jun 2011	Three months ended 30 Jun 2010
Profit attributable to shareholders (\$m)	2,584	2,258	1,346	1,131
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,076,687	1,076,207	1,076,876	1,076,610
Basic earnings per share (\$)	2.40	2.10	1.25	1.05

11. Earnings Per Share (continued)

(b) Diluted earnings per share

	Six months ended 30 Jun 2011	Six months ended 30 Jun 2010	Three months ended 30 Jun 2011	Three months ended 30 Jun 2010
Profit attributable to shareholders (\$m)	2,584	2,258	1,346	1,131
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,076,687	1,076,207	1,076,876	1,076,610
Effect of employee share options (in '000)	1,177	2,147	1,098	1,637
Effect of Awarded Shares (in '000)	1,391	636	1,380	706
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,079,255	1,078,990	1,079,354	1,078,953
Diluted earnings per share (\$)	2.39	2.09	1.25	1.05

12. Cash and Cash Equivalents

	At 30 Jun 2011 \$m	At 31 Dec 2010 \$m
Cash and cash equivalents:		
– Clearing House Funds (note 20)	3,315	2,155
– Margin Funds (note 17)	10,433	12,418
– Cash collateral (note 18)	3,331	2,843
(note (a))	17,079	17,416
– Corporate Funds (note 16)	3,820	1,945
	20,899	19,361

- (a) The cash and cash equivalents of Clearing House Funds, Margin Funds and cash collateral are held for specific purposes and cannot be used by the Group to finance other activities. Therefore, they 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 2011			
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Corporate Funds (note 16) \$m	Total \$m
<u>Mandatorily measured at fair value</u>				
Equity securities:				
– listed in Hong Kong	–	–	96	96
– listed outside Hong Kong	–	–	189	189
	–	–	285	285
Debt securities:				
– listed in Hong Kong	–	–	160	160
– listed outside Hong Kong	128	289	2,111	2,528
– unlisted	228	5,375	2,072	7,675
	356	5,664	4,343	10,363
Derivative financial instruments:				
– forward foreign exchange contracts	–	–	2	2
	356	5,664	4,630	10,650
The expected recovery dates of the financial assets are analysed as follows:				
Within twelve months (note (a))	356	5,664	3,844	9,864
More than twelve months	–	–	786	786
	356	5,664	4,630	10,650

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

	At 31 Dec 2010			
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Corporate Funds (note 16) \$m	Total \$m
<u>Mandatorily measured at fair value</u>				
Equity securities:				
– listed in Hong Kong	–	–	85	85
– listed outside Hong Kong	–	–	180	180
	–	–	265	265
Debt securities:				
– listed in Hong Kong	–	–	107	107
– listed outside Hong Kong	130	287	2,100	2,517
– unlisted	229	5,667	2,277	8,173
	359	5,954	4,484	10,797
Mutual funds:				
– listed outside Hong Kong	–	–	115	115
Derivative financial instruments:				
– forward foreign exchange contracts	–	–	13	13
	359	5,954	4,877	11,190
The expected recovery dates of the financial assets are analysed as follows:				
Within twelve months (note (a))	359	5,954	3,636	9,949
More than twelve months	–	–	1,241	1,241
	359	5,954	4,877	11,190

- (a) Included financial assets maturing after twelve months of \$172 million (31 December 2010: \$359 million) and \$2,723 million (31 December 2010: \$5,137 million) attributable to the 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 2011					
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Cash collateral (note 18) \$m	Corporate Funds (note 16) \$m	Total \$m
Debt securities:					
– listed outside Hong Kong	–	–	–	249	249
– unlisted	–	–	–	590	590
	–	–	–	839	839
Time deposits with original maturities over three months	152	10,230	1,207	953	12,542
Other financial assets	–	–	–	50	50
	152	10,230	1,207	1,842	13,431
The expected recovery dates of the financial assets are analysed as follows:					
Within twelve months (note (a))	152	10,230	1,207	1,253	12,842
More than twelve months	–	–	–	589	589
	152	10,230	1,207	1,842	13,431
At 31 Dec 2010					
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Cash collateral (note 18) \$m	Corporate Funds (note 16) \$m	Total \$m
Debt securities:					
– listed outside Hong Kong	–	–	–	201	201
– unlisted	–	–	–	749	749
	–	–	–	950	950
Time deposits with original maturities over three months	130	4,323	751	1,602	6,806
Other financial assets	–	–	–	48	48
	130	4,323	751	2,600	7,804
The expected recovery dates of the financial assets are analysed as follows:					
Within twelve months (note (a))	130	4,323	751	1,817	7,021
More than twelve months	–	–	–	783	783
	130	4,323	751	2,600	7,804

- (a) Included time deposits maturing after twelve months of \$2 million (31 December 2010: \$2 million) attributable to the Clearing House Funds that could readily be liquidated to meet liquidity requirements of the 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 under the T+2 settlement cycle, which accounted for 89 per cent (31 December 2010: 90 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within two days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within three months.

16. Corporate Funds

	At 30 Jun 2011 \$m	At 31 Dec 2010 \$m
The Group's Corporate Funds were invested in the following instruments:		
Cash and cash equivalents (note 12)	3,820	1,945
Financial assets measured at fair value through profit or loss (note 13)	4,630	4,877
Financial assets measured at amortised cost (note 14)	1,842	2,600
	10,292	9,422

17. Margin Deposits from Clearing Participants on Derivatives Contracts

	At 30 Jun 2011 \$m	At 31 Dec 2010 \$m
Margin deposits from Clearing Participants comprised (note (a)):		
SEOCH Clearing Participants' margin deposits	4,490	3,528
HKCC Clearing Participants' margin deposits	21,842	19,174
	26,332	22,702
The margin deposits were invested in the following instruments for managing the obligations of the Margin Funds:		
Cash and cash equivalents (note 12)	10,433	12,418
Financial assets measured at fair value through profit or loss (note 13)	5,664	5,954
Financial assets measured at amortised cost (note 14)	10,230	4,323
Margin receivable from Clearing Participants	5	7
	26,332	22,702

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

18. Cash Collateral from HKSCC Clearing Participants

	At 30 Jun 2011 \$m	At 31 Dec 2010 \$m
Cash collateral from HKSCC Clearing Participants (note (a))	4,538	3,594
The cash collateral was invested in the following instruments:		
Cash and cash equivalents (note 12)	3,331	2,843
Financial assets measured at amortised cost (note 14)	1,207	751
	4,538	3,594

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

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 74 per cent (31 December 2010: 83 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 2011 \$m	At 31 Dec 2010 \$m
The Clearing House Funds were attributable to:		
Clearing Participants' cash contributions due within twelve months (note (a))	3,212	2,039
Designated reserves (note 23)	581	580
	3,793	2,619
The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds:		
Cash and cash equivalents (note 12)	3,315	2,155
Financial assets measured at fair value through profit or loss (note 13)	356	359
Financial assets measured at amortised cost (note 14)	152	130
	3,823	2,644
Less: Other financial liabilities of Clearing House Funds	(30)	(25)
	3,793	2,619
The Clearing House Funds comprised the following Funds:		
HKSCC Guarantee Fund	228	224
SEOCH Reserve Fund	1,297	967
HKCC Reserve Fund	2,268	1,428
	3,793	2,619

(a) Amounts excluded bank guarantees received and utilised as alternatives to cash contributions.

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

			At 30 Jun 2011 \$m	At 31 Dec 2010 \$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 2010	1,075,515	1,076	376	(52)	1,400
Shares issued upon exercise of employee share options (note (a))	1,902	2	32	–	34
Transfer from employee share-based compensation reserve upon exercise of employee share options	–	–	8	–	8
Shares purchased for Share Award Scheme (note (c))	(1,298)	–	–	(188)	(188)
Vesting of shares of Share Award Scheme (note (d))	317	–	–	21	21
At 31 Dec 2010	1,076,436	1,078	416	(219)	1,275
At 1 Jan 2011	1,076,436	1,078	416	(219)	1,275
Shares issued upon exercise of employee share options (note (a))	270	–	5	–	5
Shares issued in lieu of cash dividends (note (b))					
– total	587	1	106	–	107
– to Share Award Scheme	(21)	–	–	(4)	(4)
	566	1	106	(4)	103
Transfer from employee share-based compensation reserve upon exercise of employee share options	–	–	1	–	1
Shares purchased for Share Award Scheme (note (c))	(22)	–	–	(4)	(4)
Vesting of shares of Share Award Scheme (note (d))	18	–	–	2	2
At 30 Jun 2011	1,077,268	1,079	528	(225)	1,382

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

- (a) During the six months ended 30 June 2011, employee share options granted under the share option schemes were exercised to subscribe for 269,900 shares (year ended 31 December 2010: 1,902,000 shares) in HKEx at an average consideration of \$18.18 per share (year ended 31 December 2010: \$17.85 per share), of which \$1.00 per share was credited to share capital and the balance was credited to the share premium account.
- (b) On 27 May 2011, 586,917 new fully paid HKEx shares were issued and allotted at \$181.14 per share to the shareholders (including 21,148 new shares allotted to the Share Award Scheme) who elected to receive HKEx shares in lieu of cash for the 2010 final dividend pursuant to the scrip dividend scheme.
- (c) During the six months ended 30 June 2011, the Share Award Scheme acquired 21,600 HKEx shares (year ended 31 December 2010: 1,297,400 shares) through purchases on the open market. The total amount paid to acquire the shares during the period was \$4 million (year ended 31 December 2010: \$188 million).
- (d) During the six months ended 30 June 2011, the Share Award Scheme transferred 17,461 HKEx shares (year ended 31 December 2010: 317,172 shares) to the awardees upon vesting of certain Awarded Shares and the shares arising from related dividends reinvested. The total cost of the vested shares was \$2 million (year ended 31 December 2010: \$21 million).

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.

No share options were granted during the six months ended 30 June 2011. Details of Awarded Shares awarded during the six months ended 30 June 2011 are set out below:

Date of approval by Board	Date of award	Awarded Sum \$'000	Number of shares purchased	Number of shares awarded	Average fair value per share \$	Vesting period
14 Dec 2010	30 Mar 2011	570	3,300	3,300	169.92	13 Jan 2013 – 13 Jan 2014
14 Dec 2010	30 Mar 2011	2,310	13,600	13,600	169.92	1 Feb 2013 – 1 Feb 2014
14 Dec 2010	8 Apr 2011	263	1,400	1,400	179.55	1 Apr 2013 – 1 Apr 2014
14 Dec 2010	9 Jun 2011	570	3,300	3,300	171.59	26 Apr 2013 – 26 Apr 2014

23. Designated Reserves

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

	At 30 Jun 2011 \$m	At 31 Dec 2010 \$m
Clearing House Funds reserves		
– HKSCC Guarantee Fund reserve	124	125
– SEOCH Reserve Fund reserve	111	111
– HKCC Reserve Fund reserve	346	344
	581	580

24. Retained Earnings

	2011 \$m	2010 \$m
At 1 Jan	6,766	6,021
Profit for the period/year	2,584	5,037
Transfer to Clearing House Funds reserves	(1)	(17)
Dividends:		
2010/2009 final dividend	(2,487)	(2,251)
2010 interim dividend	–	(2,034)
Unclaimed dividends forfeited	3	16
Vesting of shares of Share Award Scheme	–	(6)
At 30 Jun 2011/31 Dec 2010	6,865	6,766
Representing:		
Retained earnings	4,538	4,280
Declared interim/proposed final dividend	2,327	2,486
At 30 Jun 2011/31 Dec 2010	6,865	6,766

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 2011 \$m	As restated Six months ended 30 Jun 2010 \$m
Profit before taxation	3,056	2,678
Adjustments for:		
Net interest income	(102)	(48)
Dividend income	(6)	(3)
Net fair value gains including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	(133)	(110)
Losses on disposal of financial assets measured at amortised cost of Corporate Funds	–	4
Depreciation	50	53
Employee share-based compensation benefits	41	10
Gain on disposal of fixed assets	–	(1)
Provision for impairment losses of trade receivables	3	1
Changes in provisions	3	(4)
Net (increase)/decrease in Margin Fund financial assets	(3,640)	1,536
Net increase/(decrease) in Margin Fund financial liabilities	3,630	(1,547)
Net increase in Clearing House Fund financial assets	(1,181)	(453)
Net increase in Clearing House Fund financial liabilities	1,178	446
Net increase in financial assets of cash collateral	(944)	(268)
Net increase in cash collateral received from HKSCC Clearing Participants	944	268
Net decrease/(increase) in financial assets measured at fair value through profit or loss less financial liabilities at fair value through profit or loss	243	(62)
Decrease in accounts receivable, prepayments and deposits	2,328	1,868
Decrease in other current liabilities	(1,921)	(1,502)
Net cash inflow from operations	3,549	2,866
Dividends received	5	2
Interest received from bank deposits	94	37
Interest received from financial assets measured at fair value through profit or loss	61	53
Interest paid	(1)	(1)
Hong Kong Profits Tax paid	(208)	(202)
Net cash inflow from operating activities	3,500	2,755

26. Capital Expenditures and Commitments

During the six months ended 30 June 2011, the Group incurred capital expenditures of \$233 million (2010: \$30 million) which were mainly on the new Data Centre at Tseung Kwan O with hosting service capability and the upgrade of the Cash Market trading system and Market Datafeed system.

At 30 June 2011, the Group's commitments in respect of capital expenditures were as follows:

	At 30 Jun 2011 \$m	At 31 Dec 2010 \$m
Contracted but not provided for	1,027	149
Authorised but not contracted for	859	1,926
	1,886	2,075

The commitments in respect of capital expenditures were mainly related to the construction of the new Data Centre at Tseung Kwan O, the upgrade and enhancement of trading and clearing systems and other initiatives.

27. Contingent Liabilities

At 30 June 2011, 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 2010: \$71 million). Up to 30 June 2011, no calls had been made by the SFC in this connection.
- (b) The Group 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 490 trading Participants covered by the indemnity at 30 June 2011 (31 December 2010: 484) defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$98 million (31 December 2010: \$97 million).
- (c) The Group is currently being served a number of legal claims by certain independent parties. The Group sought legal advice and does not anticipate any material liabilities arising from the legal claims.
- (d) 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 2011 \$m	Six months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2011 \$m	Three months ended 30 Jun 2010 \$m
Salaries and other short-term employee benefits	36	38	19	19
Employee share-based compensation benefits	12	3	6	2
Retirement benefit costs	3	3	1	1
	51	44	26	22

(b) Post-employment 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 statement of comprehensive income 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.

29. Shareholders' Funds Set Aside for Risk Management

In June 2011, the Group increased the amount of shareholders' funds set aside for the purpose of strengthening the risk management regime of the clearing houses and supporting their roles as central counterparties by \$900 million to \$4,000 million (31 December 2010: \$3,100 million).

GLOSSARY

2011 AGM	Annual general meeting held on 20 April 2011
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	HKEx's board of directors
Cash Market	HKEx's securities related business excluding stock options
CBBC(s)	Callable Bull/Bear Contract(s)
CCASS	The Central Clearing and Settlement System
CG Code	Code on Corporate Governance Practices
CNS	Continuous Net Settlement
CSR	Corporate Social Responsibility
DCASS	The Derivatives Clearing and Settlement System
Derivatives Market	HKEx's derivatives related business including stock options
Director(s)	HKEx's director(s)
DW(s)	Derivative Warrant(s)
EPs or Participant(s)	Exchange Participant(s)
ETF(s)	Exchange Traded Fund(s)
Exchange or Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
Financial Secretary	Financial Secretary of the HKSAR
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
GBM	Grand Bauhinia Medal
GBS	Gold Bauhinia Star
GEM	The Growth Enterprise Market
Government Appointed Director(s)	Director(s) 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
HKEx's Articles	HKEx's Articles of Association
HKSAR	Hong Kong Special Administrative Region of the People's Republic of China
HKSCC	Hong Kong Securities Clearing Company Limited
Hong Kong Government or Government	HKSAR Government
H-shares Index or HSCEI	Hang Seng China Enterprises Index
HSI	Hang Seng Index
HSIL	Hang Seng Indexes Company Limited
IPs	Investor Participants
IPO(s)	Initial Public Offering(s)
ISIs	Investor SIs
IT	Information Technology
IVs	Information Vendors
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
MDS	The Market Data 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 Shareholders on 31 May 2000 which was subsequently amended by Shareholders on 17 April 2002
Pre-Listing Scheme	Pre-Listing Share Option Scheme approved by Shareholders on 31 May 2000
PRS	The Price Reporting System
REIT(s)	Real Estate Investment Trust(s)
RMB	Renminbi
ROM	Register of Members
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
Shareholders	HKEx's shareholders
Share Award Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006 and 13 May 2010
SIs	Settlement Instructions
US	The United States of America
USD	United States dollar
\$/HKD	Hong Kong dollar
\$bn/bn	Hong Kong dollar in billion/billion
\$m/m	Hong Kong dollar in million/million

Hong Kong Exchanges and Clearing Limited

12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Tel: +852 2522 1122

Fax: +852 2295 3106

Website: www.hkex.com.hk

Email: info@hkex.com.hk

