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

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

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

2007 INTERIM RESULTS

The board of directors ("Board") of Hong Kong Exchanges and Clearing Limited ("HKEx") submits the unaudited consolidated results of HKEx and its subsidiaries ("Group") for the six months ended 30 June 2007 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 Jun 2007	Six months ended 30 Jun 2006	Change	**Three months ended 30 Jun 2007**	Three months ended 30 Jun 2006	Change
KEY MARKET STATISTICS						
Average daily turnover value on the Stock Exchange	**$59.2 billion**	$32.6 billion	82%	**$65.9 billion**	$34.1 billion	93%
Average daily number of derivatives contracts traded on the Futures Exchange	**145,852**	97,471	50%	**147,572**	107,681	37%
Average daily number of stock options contracts traded on the Stock Exchange	**131,040**	63,411	107%	**137,742**	65,038	112%

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Change	**Unaudited Three months ended 30 Jun 2007 $'000**	Unaudited Three months ended 30 Jun 2006 $'000	Change
RESULTS						
Income	**3,156,938**	1,895,248	67%	**1,757,999**	1,041,121	69%
Operating expenses	**665,644**	596,488	12%	**343,001**	303,961	13%
Operating profit	**2,491,294**	1,298,760	92%	**1,414,998**	737,160	92%
Gain on disposal of an associate	**206,317**	-	N/A	**206,317**	-	N/A
Share of profits of associates	**5,587**	9,252	(40%)	**-**	6,032	(100%)
Profit before taxation	**2,703,198**	1,308,012	107%	**1,621,315**	743,192	118%
Taxation	**(372,897)**	(199,701)	87%	**(213,551)**	(113,720)	88%
Profit attributable to shareholders	**2,330,301**	1,108,311	110%	**1,407,764**	629,472	124%
Basic earnings per share	**$2.19**	$1.04	111%	**$1.32**	$0.59	124%
Diluted earnings per share	**$2.16**	$1.03	110%	**$1.31**	$0.58	126%
Interim dividend declared per share	**$1.79**	$0.94	90%	**$1.79**	$0.94	90%
Dividend payout ratio	**82%**	90%	N/A	**N/A**	N/A	N/A
Dividend payout ratio (excluding gain on disposal of an associate)	**90%**	90%	N/A	**N/A**	N/A	N/A

	Unaudited at 30 Jun 2007 $'000	Audited at 31 Dec 2006 $'000	Change
KEY BALANCE SHEET ITEMS			
Shareholders' funds	**6,348,521**	5,257,586	21%
Total assets *	**48,972,467**	40,453,298	21%
Net assets per share #	**$5.95**	$4.94	20%

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

Based on 1,067,670,846 shares as at 30 June 2007, being 1,068,959,346 shares issued and fully paid less 1,288,500 shares held for the Share Award Scheme (31 December 2006: 1,064,190,346 shares, being 1,065,448,346 shares issued and fully paid less 1,258,000 shares held for the Share Award Scheme)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing

Enhanced Transparency in Listing Enforcement Settlement Policy

On 22 June 2007, The Stock Exchange of Hong Kong Limited ("Exchange" or "Stock Exchange") published a statement outlining the Exchange's approach towards, and criteria for, settlement of disciplinary matters involving breaches of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 (collectively, "Listing Rules"), and settlement procedures. The statement illustrates the Exchange's continuing efforts to improve the transparency, efficiency and effectiveness of its enforcement actions.

Electronic Disclosure Project ("EDP")

The EDP, which allows straight-through publication of issuer documents on the HKEx websites, commenced on 25 June 2007. Under the EDP, a Main Board issuer is required to publish a notification in local newspapers whenever it publishes an announcement on the HKEx website and its own website during the six-month transitional period that runs until 24 December 2007. Notifications will no longer be required from 25 December 2007. From now until 24 June 2008, Main Board issuers without their own websites are required to publish full paid announcements in local newspapers when their announcements are published on the HKEx website. From 25 June 2008 onwards, every issuer must have its own website where the public is able to access its Listing Rules-related documents free of charge.

The EDP has run smoothly and no system or slow performance issues relating to the submission and publication of the documents have been noted. HKEx will continue providing support to issuers on the use of the electronic submission system and guidance on compliance with the relevant Listing Rules. Issuers can make use of our support hotline or the comprehensive EDP information posted on the HKEx website for assistance and reference.

The Growth Enterprise Market ("GEM") Review

Taking account of the feedback to the GEM Discussion Paper and of the conditions in the Hong Kong market, the Exchange has decided to issue a Consultation Paper with specific proposals to reposition GEM as a Second Board. The Consultation Paper was published on 27 July 2007 inviting comments thereon until the end of October 2007.

Cash Market

Market Performance

There were 32 newly listed companies on the Main Board (none on GEM) in the first half of 2007 with total capital raised, including post-listing funds, reaching $193.7 billion. As at 30 June 2007, 1,002 and 194 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about $15,854.7 billion. In addition, there were 2,681 derivative warrants, 16 Exchange Traded Funds ("ETFs"), seven Real Estate Investment Trusts, 37 Callable Bull/Bear Contracts ("CBBCs") and 175 debt securities listed as at the end of June 2007. The average daily turnover in the first half of 2007 was about $58.6 billion on the Main Board and about $591.4 million on GEM.

Introduction of Closing Auction Session

HKEx published a consultation paper entitled "The Introduction of a Closing Auction Session" on 21 March 2007. A total of 23 responses were received at the end of the consultation period on 7 May 2007 with the majority in support of the proposal. The respondents generally recognised that the closing auction is an internationally proven mechanism which provides a fair and market-driven method of closing a trading session, as well as determining closing prices.

A consultation conclusions report was published on 19 July 2007 proposing to introduce the closing auction session effective the first quarter of 2008 in order to allow sufficient time for market participants to make the corresponding system changes. A series of education programmes will be conducted to ensure market readiness.

Proposal on Suspension of the Tick Rule for Short Selling

Pursuant to the recommendations in the Government's Report on Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong" published in January 2007, HKEx is working closely with the Securities and Futures Commission to finalise a proposal on the suspension of the tick rule for short selling in normal business situations. The proposal is targeted to be implemented in the fourth quarter of 2007. It is expected that the proposed suspension of the tick rule, when implemented, would further enhance the efficiency of the price discovery process on the Exchange.

CBBC Listing Fee Reduction

HKEx announced on 11 June 2007 that the listing fee for CBBCs would be reduced by 70 per cent upon approval of the relevant amendments to the Main Board Listing Rules. When the CBBC market was launched in June 2006, the listing fee for CBBCs was set at $60,000 for the first issue and $40,000 for subsequent issues, but with a rebate of 70 per cent as an incentive to issuers. After reviewing the listing fees for similar products overseas, the temporary incentive measure has been replaced by a fee reduction of the same magnitude, which illustrates HKEx's commitment to developing the CBBC market.

Launch of Additional ETFs

Eight additional ETFs were launched on the Exchange during the period between April and July 2007. Seven of them track the performance of shares listed in single overseas markets, the Asia-Pacific region or the global market. One offers exposure to a commodities index covering the prices of copper, crude oil, gold, soybeans, sugar and other commodities, which is the first of its kind listed in Hong Kong.

Derivatives Market

Market Performance

In the first half of 2007, record high daily volume and open interest were achieved for various products.

Extension of Pre-market Opening Arrangement

The pre-market opening arrangement has proved to be useful in establishing an orderly market open and enhancing market efficiency since its implementation in 2000 for both the Hang Seng Index ("HSI") Futures and Mini-HSI Futures. On 8 January 2007, the arrangement was extended to the Hang Seng China Enterprises ("H-shares") Index Futures market, with an average of over 800 contracts per day recorded in June 2007.

New Market Maker Regime and Improvements to Market Making Services

To simplify and improve the quality of market making services, a new market maker regime for products of Hong Kong Futures Exchange Limited ("Futures Exchange") was introduced on 1 February 2007, under which, only Exchange Participants ("EPs" or "Participants") are allowed to be registered as market makers. The exchange fee incentive scheme for market makers of stock index futures or options trading in other stock index products was also refined to enhance its effectiveness.

In response to the reduction of the minimum trading spreads in the Cash Market in July 2005 and July 2006, the market making obligations in terms of maximum bid/offer spread and minimum quote size requirements in stock options and stock futures were revised on 2 April 2007, with the aim of balancing market risks faced by market makers.

Improvements to the market making services for stock futures were made at the same time, including shortening the response time to quote requests from 1 minute to 10 seconds, and increasing the quote display time from 5 to 20 seconds and the quote size for providing continuous quotes from 5 to 10 contracts.

Development of Stock Futures and Options

On 19 March 2007, HKEx expanded the range of China-related products and started offering trading of futures and options on three more stocks, leading to a total of 45 classes in the stock options market. To allow opportunities for investors to hedge and trade in Mainland China banking and insurance stocks, HKEx launched the Hang Seng China H-Financials Index Futures on 16 April 2007. In addition, a third calendar quarter expiry month was introduced in 10 stock option classes (five each in April and July 2007) to meet the market demand for a longer term maturity horizon.

Implementation of New Delta-based Position Limit

In view of market need, a new delta-based position limit for H-shares Index Futures and Options was implemented to adjust the limits of 6,000 open futures contracts in any one contract month or 6,000 open option contracts in any one option series to 12,000 delta for all contract months combined effective 30 March 2007.

Study of Commodities Derivatives and Emissions-related Products

In July 2007, HKEx appointed two consultants to respectively study the feasibility of trading commodities derivatives on energy (including oil, power and gas), base metals and agricultural products, and emissions-related products in Hong Kong. Both consultants are expected to complete their studies in about four months.

Education and Marketing

The Options Reference Educator ("ORE"), an interactive education tool for options on the HKEx website, was revised and launched on 9 January 2007 to allow easier navigation by users. The ORE facilitates understanding of options concepts and trading applications by retail investors and market practitioners. A refined Simplified Chinese version is now available for Mainland investors.

To educate local retail investors and promote our products, HKEx organised the Investment Expo 2007 with 10 EPs in February 2007. HKEx also participated in the FIA/FOW Derivatives World London Conference as an exhibitor with the theme of "Access to China Equity Derivatives" to introduce the Hong Kong Derivatives Market to overseas investors.

HKEx continued its effort to attract Mainland brokers to become EPs. A seminar on "Opportunities in Hong Kong Securities and Derivatives Market" was held in Shanghai on 29 May 2007 with the participation of more than 30 securities and futures brokerage houses. Information in relation to the market infrastructure and Exchange Participantship at HKEx was disseminated to interested parties.

Clearing

Improvements to the Central Clearing and Settlement System ("CCASS") Nominee Services

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

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

Hong Kong Securities Clearing Company Limited ("HKSCC") introduced new features to its SSA with Statement Service on 2 January 2007. After streamlining the account opening procedures, CCASS Broker and Custodian Participants are provided with online functions to open SSAs and maintain detailed profiles. SSA users can choose to receive physical statements in either English or Chinese. They can also enquire about their stock balances and movements in the accounts electronically through the CCASS Internet System and CCASS Phone System. SSA users can also opt to receive alerts via the short message service ("SMS") and/or by email when there is any movement in the SSA.

Further enhancements to the SSA with Statement Service were launched on 9 July 2007. In addition to receiving corporate communications including annual reports and notices of corporate activities directly from share registrars, SSA users can now give voting instructions to CCASS Broker and Custodian Participants electronically. They can select to affirm transfer instructions before any movements of stock out of the SSAs, and to settle stock transfers "Free of Payment" or "Delivery Against Payment". The limit on the number of SSAs that can be opened by each CCASS participant has also been removed.

Daily Settlement Price Determination Methodologies Alignment

To enhance the quality of the daily settlement price ("DSP"), HKFE Clearing Corporation

Limited ("HKCC") and The SEHK Options Clearing House Limited ("SEOCH") aligned their methodologies for determining the DSP on 7 May 2007. The aligned methodologies require the use of available market prices in lieu of theoretical prices when determining the DSP. Theoretical prices would only be used for reference when no market price is available. The clearing houses would conduct reasonableness checks on the DSP and make adjustments where appropriate.

Investor Participant ("IP") Account Service Fees Waiver

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

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

Following the use of more advanced backup technology to support the DCASS day-end batch processing, the cutoff time for the input of post-trade transactions by the HKCC and SEOCH Participants was extended for 30 minutes from 6:15 pm to 6:45 pm effective 9 July 2007.

Third Party Clearing ("TPC")

HKSCC plans to introduce TPC to the securities market to help ensure that the securities clearing infrastructure in Hong Kong conforms to international standards and is in line with developments in other major financial markets. The proposed TPC model has been presented to interested clearing service providers and CCASS participants, and is being finalised for implementation by the end of 2007.

Risk Management Measures

The three clearing houses have harmonised their stress testing methodologies, which are applied to assess the adequacy of financial resources for risk management, to follow the standards set by the International Organisation of Securities Commissions.

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

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

Default of Participants

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

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

Business Development

Promotional Activities in Hong Kong

In May 2007, HKEx held a seminar with the local universities, namely City University of Hong Kong, Hong Kong Baptist University, The Chinese University of Hong Kong, The Hong Kong Polytechnic University, The Hong Kong University of Science and Technology and The University of Hong Kong, and Hong Kong Science and Technology Parks Corporation to promote listing to their affiliated companies.

Promotional Activities in the Mainland

In the first half of 2007, HKEx made over 30 visits to various provinces and cities other than Beijing and Shanghai in the Mainland to promote Hong Kong as the international capital formation centre for Mainland companies.

In April 2007, HKEx organised a listing seminar in Guangzhou together with the Economic and Trade Commission of the Guangdong Province, the State-owned Assets Supervision and Administration Commission of Guangdong Provincial People's Government, and the Financial Service Office of the Guangdong Province. The seminar was well-received by more than 300 participants, including Central Government officials and prospective issuers from Guangzhou and nearby regions. At the seminar, promotional booths were set up by Hong Kong intermediary firms to provide free advice on listing matters to prospective issuers.

Other Promotional Activities

During the first half of 2007, HKEx made a total of 15 visits to Malaysia, South Korea, Taiwan, Thailand, the Republic of Kazakhstan, the Russian Federation and Vietnam, and spoke at 17 conferences and seminars to over 2,000 attendees including government officials, intermediary firms and prospective issuers to promote listing in Hong Kong.

On 28 March 2007, HKEx signed a memorandum of understanding ("MOU") on cooperation and the exchange of information with the Abu Dhabi Securities Market to foster a closer relationship between the two markets. On 3 July 2007, HKEx also entered into an MOU with Moscow Interbank Currency Exchange ("MICEX"). The MOU marked a new stage of development for HKEx in collaborating with a major stock exchange in Russia and Eastern Europe. The MOU is aimed at establishing a closer relationship with MICEX in information sharing and enhancing the development of exchanges in the two regions by promoting dual listings and the bilateral flow of investment funds.

In May 2007, HKEx together with a delegation of over 60 members from Hong Kong comprising investment bankers, legal advisers, accountants, property valuers and venture capital funds managers, participated in the first Hong Kong-Kazakhstan conference held in Almaty, the Republic of Kazakhstan. The conference was jointly organised by HKEx, the Agency of the Republic of Kazakhstan on Regulation of Activities of the Regional Financial Centre of Almaty City, and the Consulate General of the Republic of Kazakhstan (HKSAR/Macao SAR). The then Secretary for Financial Services and the Treasury, Mr Frederick Ma, also joined the delegation and delivered a keynote speech on the Hong Kong financial services industry. More than 200 representatives from companies in the Republic of Kazakhstan and the Commonwealth of Independent States region participated in the event.

To familiarise overseas prospective issuers with listing in Hong Kong, HKEx published its "Listing in Hong Kong" booklet in four additional languages (Korean, Japanese, Vietnamese and Russian) for distribution to interested parties. It also delivered presentations on listing in Hong Kong to the members of a Korean organisation and the Japanese clients of an international accounting firm in April and June 2007 respectively.

Information Services

Enhancement of Information Systems

HKEx has enhanced its Issuer Information *feed* Service System ("IIS"), the information feed to provide issuer disclosures, and Market Datafeed ("MDF"), the information feed for securities market data, particularly for the rollout of EDP. The IIS is now equipped with high capacity and a resilient disaster recovery site, and is capable of delivering disclosures with multiple headlines. The MDF provides news alerts to information vendors whenever any issuer disclosures are published on the HKEx website. Moreover, a lower standard fee of $45,000 per quarter on IIS information vendors was introduced on 1 June 2007. As at the end of June 2007, there were four IIS licensed information vendors.

Editorial Package for Real-time Information Vendors

HKEx introduced a new editorial package on 1 July 2007 for all real-time information vendors that have in-house news and editorial teams to provide news, analysis or commentary services to complement their real-time HKEx market data services. Under the terms of the package, the data fee for the first five units of real-time market data devices and additional units used by the editorial team will be respectively waived and provided at discounted prices. The new package is aimed to encourage more coverage on the Cash and Derivatives Markets.

Retirement of Realtime Digital Data Service System ("RDDS")

HKEx has decided to retire the aging RDDS by the end of 2007. The RDDS, first introduced in 1986, is an information feed providing real-time securities price updates on a snapshot basis. Existing RDDS vendors may migrate to MDF. The retirement of RDDS will allow HKEx to focus resources on its premium datafeed service.

Improvements to Issuer News Alert Service

HKEx improved the Investment Service Centre News Alert Service, which is free of charge, by doubling the number of securities that can be selected for each account to 20 and increasing the frequency of alerts. Alerts on listed company information are now sent every 30 minutes from 9:00 am to 12 midnight on each trading day, whereas alerts on disclosure of interests notices are sent at 5:30 pm on trading days. Since the service enhancements in early April 2007, there has been a steady increase in the number of subscribers. As at the end of June 2007, there were more than 29,000 subscribers, an increase of 29 per cent.

Information Technology

Production Systems Stability and Reliability

Up to the end of June 2007, all major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets operated by HKEx achieved 100 per cent operational system uptime and operated smoothly.

System Capacity Planning and Upgrade

HKEx has proactively monitored the capacity and performance of all its market systems to ensure that they are able to support the market at all times.

HKEx enhanced the Third Generation Automatic Order Matching and Execution System ("AMS/3") following the successful completion of the market rehearsal on 27 January 2007 which was conducted to validate that AMS/3 is capable of handling at least 1.5 million daily trades and to enable our EPs and information vendors to review and verify the capacity and performance of their systems and trading facilities. The enhancements comprised (i) increasing the maximum number of outstanding orders per price queue from 10,000 in the pre-opening session and 8,000 in the trading sessions to 20,000 in all sessions; (ii) removing the restriction on outstanding orders per broker ID; and (iii) further increasing the AMS/3 market data broadcast rate to cater for the continuing growth in trading activity.

On 5 July 2007, the Board approved upgrading the AMS/3 capacity and technology. The AMS/3 will be migrated to the Itanium platform that offers a higher capacity of 850 orders per second and a daily volume of 2.8 million trades against the current capacity of 500 orders per second and a daily volume of 1.5 million trades. The migration will take around six months to complete. The AMS/3 capacity could be further increased by implementing AMS/3 design enhancements leverage on the Itanium technology in the second half of 2008.

The Latest Generation of Central Clearing and Settlement System ("CCASS/3") mainframe for the Cash Market clearing and settlement, and the Hong Kong Futures Automated Trading System ("HKATS") and DCASS hardware for the Derivatives Market were upgraded in May and July 2007 respectively to support increasing market activities and new business initiatives.

Technology Development and Upgrade

All the AMS/3 Open Gateway and Multi-workstation System installed at EPs' premises were upgraded in April 2007 to address technology obsolescence as well as to prepare for further AMS/3 system capacity expansion. The CCASS/3 Middle-tier system software was replaced and upgraded in March 2007 to provide additional capacity as well as open platform flexibility for future hardware upgrade.

The advance of HKATS and DCASS to application software release 19.1 is in progress and is scheduled to be completed in early 2008. The upgrade offers functional and technical enhancements which should facilitate the future development of the Derivatives Market.

The upgrade of the Securities Market Automated Research, Training & Surveillance System (SMARTS) has commenced, bringing new features and functionalities to market surveillance.

HKEx is working on the establishment of a designated issuer website for issuer-related information and disclosures. As part of the initiative, HKEx is also exploring the implementation of a separate Internet network infrastructure to offer robust Internet services to the investing public.

System Consolidation and Operational Efficiency

The implementation of SDNet, a new Optical Ethernet network for the Cash and Derivatives Markets, was completed after the successful migration of all AMS/3 circuits to the SDNet on 16 July 2007. The SDNet provides broader bandwidth, improved reliability, greater operational efficiency and network cost reduction to both HKEx and Participants.

The Cash and Derivatives participant information system was successfully redeveloped on an integrated management information system in June 2007 to facilitate effective retrieval, consolidation and analysis of the relevant data.

The redevelopment of the Derivatives Market risk management system was completed in April 2007. The automation of the risk management processes, the report generation and exception handling functions provides higher operational efficiency and effectiveness, helping to strengthen internal operational controls.

The DCASS Official Closing Quotation ("OCQ") was implemented in May 2007. The automation and streamlining of the OCQ calculation and determination methodology improve the overall effectiveness of day-end closing and should facilitate the introduction of more products in the Derivatives Market.

Treasury

The Group's funds available for investment comprise Corporate Funds, Margin Funds and Clearing House Funds, totalling $35.5 billion on average for the six months ended 30 June 2007 (first half of 2006: $24.1 billion).

As compared with 31 March 2007, the overall size of funds available for investment as at 30 June 2007 increased by 14 per cent or $4.8 billion to $38.1 billion (31 March 2007: $33.3 billion). Details of the asset allocation of the investments as at 30 June 2007 against those as at 31 March 2007 are set out below.

	Investment Fund Size $ billion		**Bonds**		**Cash or Bank Deposits**		**Global Equities**	
	Jun	Mar	**Jun**	Mar	**Jun**	Mar	**Jun**	Mar
Corporate Funds	**7.5**	7.0	**68%**	55%	**27%**	39%	**5%**	6%
Margin Funds	**28.3**	24.5	**51%**	63%	**49%**	37%	**0%**	0%
Clearing House Funds	**2.3**	1.8	**14%**	11%	**86%**	89%	**0%**	0%
Total	**38.1**	33.3	**52%**	59%	**47%**	40%	**1%**	1%

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the Clearing House Funds and Margin Funds. Excluding equities held under the Corporate Funds ($0.4 billion as at 30 June 2007 and $0.4 billion as at 31 March 2007), which have no maturity date, the maturity profiles of the remaining investments as at 30 June 2007 ($37.7 billion) and 31 March 2007 ($32.9 billion) were as follows:

	Investment Fund Size $ billion		**Overnight**		**>Overnight to 1 month**		**>1 month to 1 year**		**>1 year to 3 years**		**> 3 years**	
	Jun	Mar	**Jun**	Mar	**Jun**	Mar	**Jun**	Mar	**Jun**	Mar	**Jun**	Mar
Corporate Funds	**7.1**	6.6	**20%**	21%	**6%**	30%	**46%**	20%	**18%**	19%	**10%**	10%
Margin Funds	**28.3**	24.5	**30%**	36%	**24%**	7%	**45%**	55%	**1%**	2%	**0%**	0%
Clearing House Funds	**2.3**	1.8	**86%**	82%	**0%**	7%	**14%**	11%	**0%**	0%	**0%**	0%
Total	**37.7**	32.9	**31%**	35%	**19%**	12%	**43%**	46%	**5%**	5%	**2%**	2%

Credit exposure is well diversified. The Group's bond portfolio held is of investment grade and, as at 30 June 2007, had a weighted average credit rating of Aa1 (31 March 2007: Aa2) and a weighted average maturity of 0.7 year (31 March 2007: 0.7 year). Deposits are placed only with the note-issuing banks in Hong Kong, investment grade licensed banks and restricted licence banks approved by the Board from time to time.

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

	Average VaR $ million		**Highest VaR** $ million		**Lowest VaR** $ million	
	Apr-Jun	Jan-Mar	**Apr-Jun**	Jan-Mar	**Apr-Jun**	Jan-Mar
Corporate Funds	**16.6**	17.0	**18.1**	19.0	**15.5**	14.4
Margin Funds	**11.5**	12.6	**12.5**	14.3	**10.4**	10.1
Clearing House Funds	**0.5**	0.2	**0.6**	0.2	**0.2**	0.1

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

FINANCIAL REVIEW

Overall Performance

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000
RESULTS		
Income:		
Income affected by market turnover	**1,954,516**	1,157,097
Stock Exchange listing fees	**294,000**	213,405
Income from sale of information	**275,686**	183,857
Net investment income	**452,740**	216,922
Other income	**179,996**	123,967
	3,156,938	1,895,248
Operating expenses	**665,644**	596,488
Operating profit	**2,491,294**	1,298,760
Gain on disposal of an associate	**206,317**	-
Share of profits of associates	**5,587**	9,252
Profit before taxation	**2,703,198**	1,308,012
Taxation	**(372,897)**	(199,701)
Profit attributable to shareholders	**2,330,301**	1,108,311
Basic earnings per share	**$2.19**	$1.04
Diluted earnings per share	**$2.16**	$1.03
Interim dividend declared per share	**$1.79**	$0.94
Dividend payout ratio	**82%**	90%
Dividend payout ratio (excluding gain on disposal of an associate)	**90%**	90%
	Unaudited at 30 Jun 2007 $'000	Audited at 31 Dec 2006 $'000
KEY BALANCE SHEET ITEMS		
Shareholders' funds	**6,348,521**	5,257,586
Total assets *	**48,972,467**	40,453,298
Net assets per share #	**$5.95**	$4.94

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

\# Based on 1,067,670,846 shares as at 30 June 2007, being 1,068,959,346 shares issued and fully paid less 1,288,500 shares held for the Share Award Scheme (31 December 2006: 1,064,190,346 shares, being 1,065,448,346 shares issued and fully paid less 1,258,000 shares held for the Share Award Scheme)

The Group recorded a profit attributable to shareholders of $2,330 million for the first six months of 2007 (first quarter: $922 million; second quarter: $1,408 million) compared with $1,108 million for the same period in 2006 (2006 first quarter: $479 million; second quarter: $629 million).

The rise in profit for the six months ended 30 June 2007 was primarily attributable to the higher turnover-related income resulting from the increase in level of activities in the Cash and Derivatives Markets, which was partly driven by the improved market sentiment following the relaxation of rules governing the permissible investments under the Qualified Domestic Institutional Investor ("QDII") scheme. Net investment income more than doubled as a result of higher net interest income and an increase in fair value gains of Corporate Fund investments in 2007. Moreover, the Group disposed of its entire interest in Computershare Hong Kong Investor Services Limited ("CHIS") during the period and generated a gain of $206 million.

Total operating expenses increased by 12 per cent during the period mainly due to higher staff costs and premises expenses but were partly offset by a decrease in depreciation.

Income

(A) Income affected by market turnover

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Change
Trading fees and trading tariff	**1,074,819**	621,834	73%
Clearing and settlement fees	**571,274**	316,655	80%
Depository, custody and nominee services fees	**308,423**	218,608	41%
Total	**1,954,516**	1,157,097	69%

The increase in trading fees and trading tariff was mainly due to the higher market turnover of the Cash and Derivatives Markets in the first six months of 2007 against that of the corresponding period last year.

Clearing and settlement fees were derived predominantly from Cash Market transactions. The increase in clearing and settlement fees in 2007 was mainly due to the higher market turnover of the Cash Market. Despite being mostly ad valorem fees, clearing and settlement fees were subject to a minimum and a maximum fee per transaction and may not always move exactly with changes in the Cash Market turnover.

Depository, custody and nominee services fees increased mainly due to higher scrip fees, electronic initial public offering ("IPO") handling charges, corporate action fees and stock custody fees. The fees were influenced by the level of Cash Market activities but did not move proportionately with changes in the Cash Market turnover as they varied mostly with the board lots rather than the value of the securities concerned and many were subject to a maximum fee. Moreover, scrip fee was only chargeable on the net increase in individual Participants' aggregate holdings of the securities on book closing dates.

Key market indicators

	Six months ended 30 Jun 2007	Six months ended 30 Jun 2006	Change
Average daily turnover value on the Stock Exchange	**$59.2 billion**	$32.6 billion	82%
Average daily number of derivatives contracts traded on the Futures Exchange	**145,852**	97,471	50%
Average daily number of stock options contracts traded on the Stock Exchange	**131,040**	63,411	107%

(B) Stock Exchange listing fees

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Change
Annual listing fees	**147,041**	134,654	9%
Initial and subsequent issue listing fees	**143,970**	75,921	90%
Others	**2,989**	2,830	6%
Total	**294,000**	213,405	38%

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

Key drivers for annual listing fees

	As at 30 Jun 2007	As at 30 Jun 2006	Change
Number of companies listed on Main Board	**1,002**	948	6%
Number of companies listed on GEM	**194**	200	(3%)
Total	**1,196**	1,148	4%

Key drivers for initial and subsequent issue listing fees

	Six months ended 30 Jun 2007	Six months ended 30 Jun 2006	Change
Number of newly listed derivative warrants	**2,305**	1,112	107%
Number of newly listed companies on Main Board	**32**	22	45%
Number of newly listed companies on GEM	**-**	4	(100%)
Total equity funds raised on Main Board	**$187.3 billion**	$189.3 billion	(1%)
Total equity funds raised on GEM	**$6.4 billion**	$6.5 billion	(2%)

(C) Income from sale of information

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Change
Income from sale of information	**275,686**	183,857	50%

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

(D) Net investment income

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Change
Gross investment income	**735,622**	423,583	74%
Interest expenses	**(282,882)**	(206,661)	37%
Net investment income	**452,740**	216,922	109%

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

	Six months ended 30 Jun 2007 $ billion	Six months ended 30 Jun 2006 $ billion	Change
Corporate Funds	**6.4**	4.6	39%
Margin Funds	**27.1**	17.7	53%
Clearing House Funds	**2.0**	1.8	11%
Total	**35.5**	24.1	47%

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

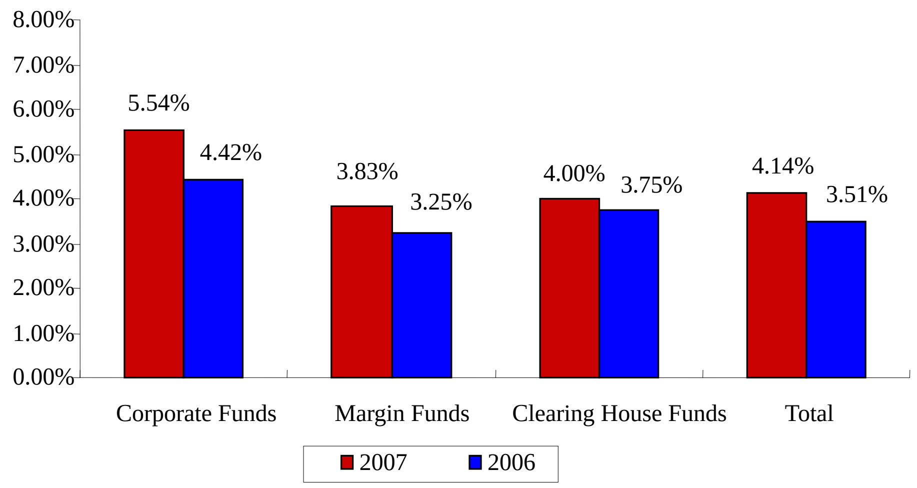
The rise in average amount of Margin Funds available for investment during the period was primarily caused by the increased open interest in futures and options contracts.

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

The higher net investment income was primarily due to the significant increase in net interest income of all funds available for investment arising from an increase in fund size and higher fair value gains of Corporate Fund investments, reflecting market movements, during the first six months of 2007 as compared with the corresponding period in 2006.

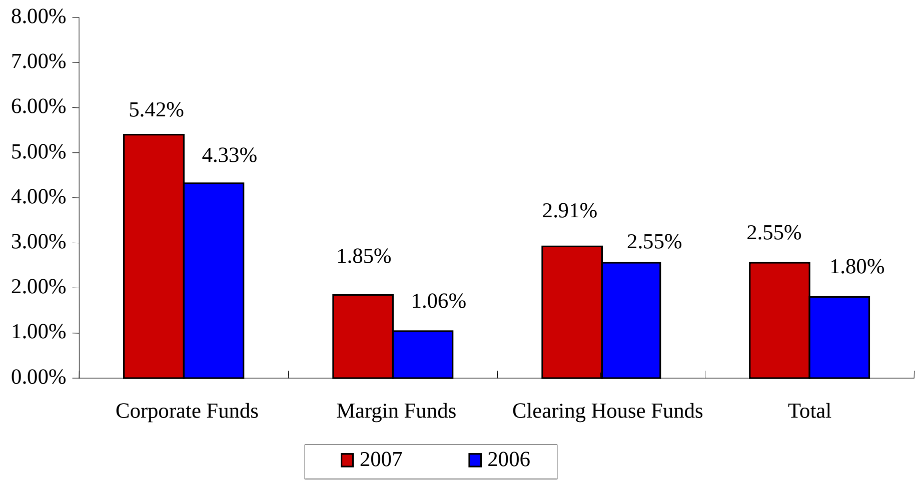
The annualised gross return on funds available for investment during the first six months is set out below:

Annualised Gross Return on Funds Available for Investment



The annualised net return on funds available for investment after the deduction of interest expenses during the first six months was as follows:

Annualised Net Return on Funds Available for Investment



The increase in return on Margin Fund investments was attributable to an increase in investment in debt securities for higher yield and a decrease in the proportion of Margin Funds denominated in Japanese Yen during the first six months of 2007 as compared with the corresponding period in 2006.

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

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

(E) Other income

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Change
Network, terminal user, dataline and software sub-license fees	**107,861**	77,928	38%
Participants' subscription and application fees	**17,051**	17,016	0%
Brokerage on direct IPO allotments	**36,069**	17,104	111%
Trading booth user fees	**4,788**	4,371	10%
Fair value gain of an investment property	**1,100**	1,000	10%
Accommodation income	**5,340**	820	551%
Miscellaneous income	**7,787**	5,728	36%
Total	**179,996**	123,967	45%

Network, terminal user, dataline and software sub-license fees rose due to an increase in sales of AMS/3 hardware and software and additional throttles.

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

Accommodation income (ie retention interest charged on securities deposited by Participants as alternatives to cash deposits of the Margin Funds) increased mainly due to the increase in utilisation of non-cash collateral by Participants to meet their margin obligations.

Operating Expenses

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Change
Staff costs and related expenses	**386,548**	323,918	19%
Information technology and computer maintenance expenses	**100,697**	93,801	7%
Premises expenses	**65,575**	57,574	14%
Product marketing and promotion expenses	**7,108**	6,453	10%
Legal and professional fees	**4,390**	6,629	(34%)
Depreciation	**42,456**	50,260	(16%)
Other operating expenses	**58,870**	57,853	2%
Total	**665,644**	596,488	12%

Staff costs and related expenses increased by $63 million, primarily due to the increase in salary costs and provident fund contributions as a result of the increase in headcount and salary adjustments in 2007, and an increase in performance bonus accruals on account of the improved performance of the Group.

Information technology and computer maintenance expenses of the Group, after excluding goods and services directly consumed by the Participants of $34 million (2006: $28 million), were $67 million (2006: $66 million). The increase in costs directly consumed by Participants was primarily due to the increase in the purchases of AMS/3 hardware and software by the Participants to replace their outdated terminals.

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

Legal and professional fees dropped primarily due to the legal fees for the judicial review of the New World case in the first six months of 2006.

Depreciation decreased as certain fixed assets became fully depreciated.

Gain on Disposal of an Associate

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Change
Gain on disposal of an associate	**206,317**	-	N/A

On 29 March 2007, the Group entered into an agreement to sell all of its 30 per cent interest in CHIS for a consideration of $270 million as the Board considered that the sale represented a good opportunity for the Group to realise the gain on the associate. The transaction was completed on 3 April 2007, and the gain on disposal of the investment was recognised in the profit and loss account in the second quarter of the year.

Share of Profits of Associates

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Change
Share of profits of associates	**5,587**	9,252	(40%)

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

Taxation

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Change
Taxation	**372,897**	199,701	87%

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

Comparison of 2007 Second Quarter Performance with 2007 First Quarter Performance

	Unaudited Three months ended 30 Jun 2007 $'000	Unaudited Three months ended 31 Mar 2007 $'000
Income:		
Income affected by market turnover:		
Trading fees and trading tariff	**570,406**	504,413
Clearing and settlement fees	**309,770**	261,504
Depository, custody and nominee services fees	**247,681**	60,742
Stock Exchange listing fees	**150,599**	143,401
Income from sale of information	**148,074**	127,612
Net investment income	**229,597**	223,143
Other income	**101,872**	78,124
	1,757,999	1,398,939
Operating expenses	**343,001**	322,643
Operating profit	**1,414,998**	1,076,296
Gain on disposal of an associate	**206,317**	-
Share of profit of an associate	**-**	5,587
Profit before taxation	**1,621,315**	1,081,883
Taxation	**(213,551)**	(159,346)
Profit attributable to shareholders	**1,407,764**	922,537

Profit attributable to shareholders increased by $486 million to $1,408 million for the second quarter of 2007 (2007 first quarter: $922 million). The increase in profit was mainly due to the one-off gain on the disposal of the Group's investment in an associate of $206 million and the increase in income affected by market turnover, income from sale of information and other income, but partly offset by the increase in operating expenses and taxation charge.

Depository, custody and nominee services fees rose significantly as a result of the increase in scrip fee income due to seasonal fluctuations, whereas trading fees and trading tariff, clearing and settlement fees and income from sale of information rose in tandem with the activities of the Cash and Derivatives Markets. In addition, other income of the Group rose due to the increase in brokerage on direct IPO allotments during the second quarter, which was in line with the increase in number of newly listed companies during the quarter.

Key market indicators

	Three months ended 30 Jun 2007	Three months ended 31 Mar 2007	Change
Average daily turnover value on the Stock Exchange	**$65.9 billion**	$52.9 billion	25%
Average daily number of derivatives contracts traded on the Futures Exchange	**147,572**	144,216	2%
Average daily number of stock options contracts traded on the Stock Exchange	**137,742**	124,662	10%

Operating expenses increased mainly as a result of the increase in staff costs which was attributable to the increase in performance bonus accruals on account of the improved performance of the Group in the second quarter.

Taxation increased mainly attributable to an increase in operating profit, but was partly offset by an increase in non-taxable gain on disposal of an associate.

Working Capital

Working capital increased by $1,039 million or 24 per cent to $5,310 million as at 30 June 2007 (31 December 2006: $4,271 million). The increase was primarily due to the profit generated during the first six months of $2,330 million but was partly offset by the payment of the 2006 final dividend of $1,270 million in May 2007, and the decrease in other working capital of $21 million.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes. As at 30 June 2007, the Group's total available banking facilities amounted to $3,058 million (31 December 2006: $1,558 million), of which $3,000 million (31 December 2006: $1,500 million) were repurchase facilities to augment the liquidity of the Margin Funds.

Borrowings by the Group have been rare and are mostly event driven, with little seasonality. As at 30 June 2007, the gearing ratio was 9 per cent (31 December 2006: zero gearing) as there was a temporary drawdown of bank overdraft facilities by the Margin Funds as a result of a delay in payment processing on 29 June 2007. The overdrafts were settled on 3 July 2007.

The Group's capital expenditure commitments as at 30 June 2007 were mainly related to the ongoing investments in facilities and technology, and amounted to $65 million (31 December 2006: $92 million). The Group has adequate internal resources to fund its commitments on capital expenditures.

As at 30 June 2007, 97 per cent (31 December 2006: 97 per cent) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and time deposits within three months of maturity when acquired) was denominated in HKD or USD.

Charges on Assets

None of the Group's assets was pledged as at 30 June 2007 and 31 December 2006.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

As at 30 June 2007, the aggregate net open foreign currency positions amounted to HK$2,177 million, of which HK$192 million were non-USD exposures (31 December 2006: HK$2,210 million, of which HK$213 million were non-USD exposures), and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK$446 million (31 December 2006: HK$281 million). All forward foreign exchange contracts would mature within one month (31 December 2006: one month).

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

Contingent Liabilities

There were no significant changes in the Group's contingent liabilities from the information disclosed in the annual report for the year ended 31 December 2006.

Changes since 31 December 2006

There were no other significant changes in the Group's financial position and from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2006.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**Unaudited Six months ended 30 Jun 2007 $'000**	Unaudited Six months ended 30 Jun 2006 $'000	**Unaudited Three months ended 30 Jun 2007 $'000**	Unaudited Three months ended 30 Jun 2006 $'000
INCOME	2				
Trading fees and trading tariff		**1,074,819**	621,834	**570,406**	324,281
Stock Exchange listing fees		**294,000**	213,405	**150,599**	103,712
Clearing and settlement fees		**571,274**	316,655	**309,770**	162,035
Depository, custody and nominee services fees		**308,423**	218,608	**247,681**	177,505
Income from sale of information		**275,686**	183,857	**148,074**	98,340
Net investment income	3	**452,740**	216,922	**229,597**	103,963
Other income	4	**179,996**	123,967	**101,872**	71,285
	2	**3,156,938**	1,895,248	**1,757,999**	1,041,121
OPERATING EXPENSES					
Staff costs and related expenses		**386,548**	323,918	**204,243**	164,792
Information technology and computer maintenance expenses		**100,697**	93,801	**49,396**	47,337
Premises expenses		**65,575**	57,574	**33,165**	30,941
Product marketing and promotion expenses		**7,108**	6,453	**4,629**	3,592
Legal and professional fees		**4,390**	6,629	**3,016**	1,782
Depreciation		**42,456**	50,260	**19,294**	25,320
Other operating expenses	5	**58,870**	57,853	**29,258**	30,197
	2	**665,644**	596,488	**343,001**	303,961
OPERATING PROFIT	2	**2,491,294**	1,298,760	**1,414,998**	737,160
GAIN ON DISPOSAL OF AN ASSOCIATE	2/6	**206,317**	-	**206,317**	-
SHARE OF PROFITS OF ASSOCIATES	2	**5,587**	9,252	**-**	6,032
PROFIT BEFORE TAXATION	2	**2,703,198**	1,308,012	**1,621,315**	743,192
TAXATION	2/7	**(372,897)**	(199,701)	**(213,551)**	(113,720)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	2	**2,330,301**	1,108,311	**1,407,764**	629,472
DIVIDENDS	8	**1,911,131**	1,000,050	**1,911,131**	1,000,050
Basic earnings per share	9(a)	**$2.19**	$1.04	**$1.32**	$0.59
Diluted earnings per share	9(b)	**$2.16**	$1.03	**$1.31**	$0.58
Interim dividend declared per share		**$1.79**	$0.94	**$1.79**	$0.94
Dividend payout ratio		**82%**	90%	**N/A**	N/A
Dividend payout ratio (excluding gain on disposal of an associate)		**90%**	90%	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited at 30 Jun 2007 $'000**	Audited at 31 Dec 2006 $'000
NON-CURRENT ASSETS			
Fixed assets		**211,352**	210,161
Investment property		**20,400**	19,300
Lease premiums for land		**93,301**	93,575
Investment in an associate		**-**	68,377
Clearing House Funds		**2,349,087**	2,270,531
Compensation Fund Reserve Account		**41,523**	40,535
Available-for-sale financial assets		**124,769**	-
Time deposit with maturity over one year		**-**	38,886
Deferred tax assets		**3,928**	3,330
Other financial assets		**19,541**	18,583
Other assets		**3,212**	3,212
		2,867,113	2,766,490
CURRENT ASSETS			
Accounts receivable, prepayments and deposits	10	**11,734,686**	10,201,562
Lease premiums for land		**548**	548
Margin Funds on derivatives contracts		**27,078,271**	21,666,474
Financial assets at fair value through profit or loss		**2,957,324**	2,878,224
Available-for-sale financial assets		**2,299,640**	539,132
Time deposits with original maturities over three months		**106,541**	185,611
Cash and cash equivalents		**1,928,344**	2,215,257
		46,105,354	37,686,808
CURRENT LIABILITIES			
Margin deposits from Clearing Participants on derivatives contracts		**27,078,271**	21,666,474
Accounts payable, accruals and other liabilities	11	**12,892,346**	11,107,200
Financial liabilities at fair value through profit or loss		**3,459**	7,505
Participants' admission fees received		**1,950**	1,700
Deferred revenue		**189,504**	318,468
Taxation payable		**600,483**	287,368
Provisions		**28,990**	26,712
		40,795,003	33,415,427
NET CURRENT ASSETS		**5,310,351**	4,271,381
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,177,464**	7,037,871

	Note	**Unaudited at 30 Jun 2007 $'000**	Audited at 31 Dec 2006 $'000
NON-CURRENT LIABILITIES			
Participants' admission fees received		**80,050**	79,750
Participants' contributions to Clearing House Funds		**1,692,899**	1,642,495
Deferred tax liabilities		**11,957**	14,003
Financial guarantee contract		**19,909**	19,909
Provisions		**24,128**	24,128
		1,828,943	1,780,285
NET ASSETS		**6,348,521**	5,257,586
CAPITAL AND RESERVES			
Share capital		**1,068,959**	1,065,448
Share premium		**243,776**	185,942
Shares held for Share Award Scheme		**(53,889)**	(51,297)
Employee share-based compensation reserve		**50,349**	52,119
Revaluation reserves		**(17,458)**	10,569
Designated reserves		**698,755**	668,262
Retained earnings	12	**2,446,898**	2,060,156
Proposed/declared dividends	12	**1,911,131**	1,266,387
SHAREHOLDERS' FUNDS		**6,348,521**	5,257,586
SHAREHOLDERS' FUNDS PER SHARE		**$5.95**	$4.94

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Accounting Standard 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 2006 annual accounts. The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2006.

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

2. Turnover and segment information

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

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

	Unaudited Six months ended 30 Jun 2007				
	Cash Market $'000	**Derivatives Market $'000**	**Clearing Business $'000**	**Information Services $'000**	**Group $'000**
Income	**1,339,179**	**523,264**	**1,017,005**	**277,490**	**3,156,938**
Operating expenses					
Direct costs	**235,264**	**66,418**	**174,216**	**24,270**	**500,168**
Indirect costs	**75,100**	**24,497**	**54,782**	**11,097**	**165,476**
	310,364	**90,915**	**228,998**	**35,367**	**665,644**
Segment results	**1,028,815**	**432,349**	**788,007**	**242,123**	**2,491,294**
Gain on disposal of an associate	**-**	**-**	**206,317**	**-**	**206,317**
Share of profits of an associate	**-**	**-**	**5,587**	**-**	**5,587**
Segment profits before taxation	**1,028,815**	**432,349**	**999,911**	**242,123**	**2,703,198**
Taxation					**(372,897)**
Profit attributable to shareholders					**2,330,301**

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

The **Cash Market** business mainly refers to the operations of the Stock Exchange, which covers all products traded on the Cash Market platforms, such as equities, debt securities, unit trusts, CBBCs, warrants and rights. Currently, the Group operates two Cash Market platforms, the Main Board and GEM. The major sources of income of the business are trading fees, trading tariff and listing fees. Costs of the Listing Function are treated as segment costs under the Cash Market.

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

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

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

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

3. Net investment income

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	**Unaudited Three months ended 30 Jun 2007 $'000**	Unaudited Three months ended 30 Jun 2006 $'000
Interest income				
- bank deposits	**299,176**	279,615	**145,852**	148,697
- listed available-for-sale financial assets	**15,071**	8,203	**6,687**	4,824
- unlisted available-for-sale financial assets	**309,694**	68,720	**160,902**	49,102
	623,941	356,538	**313,441**	202,623
Interest expenses	**(282,882)**	(206,661)	**(135,726)**	(116,271)
Net interest income	**341,059**	149,877	**177,715**	86,352
Net realised and unrealised gains/(losses) and interest income on financial assets and financial liabilities at fair value through profit or loss, held for trading				
- listed securities	**76,771**	38,820	**44,360**	(1,754)
- unlisted securities	**17,432**	17,629	**3,527**	9,995
- exchange differences	**13,292**	6,791	**1,687**	6,756
	107,495	63,240	**49,574**	14,997
Dividend income				
- listed financial assets at fair value through profit or loss	**4,012**	3,678	**2,300**	2,567
Other exchange differences on loans and receivables	**174**	127	**8**	47
Net investment income	**452,740**	216,922	**229,597**	103,963
Net investment income was derived from:				
Corporate Funds (note a)	**172,415**	99,532	**86,763**	35,721
Margin Funds	**250,876**	94,172	**127,485**	55,853
Clearing House Funds	**29,449**	23,218	**15,349**	12,389
	452,740	216,922	**229,597**	103,963

(a) Net investment income derived from Corporate Funds included net investment income of Compensation Fund Reserve Account of $1,102,000 (2006: $972,000) and $561,000 (2006: $517,000) for the six months and three months ended 30 June 2007 respectively.

4. Other income

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	**Unaudited Three months ended 30 Jun 2007 $'000**	Unaudited Three months ended 30 Jun 2006 $'000
Network, terminal user, dataline and software sub-license fees	**107,861**	77,928	**54,800**	42,730
Participants' subscription and application fees	**17,051**	17,016	**8,571**	8,501
Brokerage on direct IPO allotments	**36,069**	17,104	**27,722**	13,840
Trading booth user fees	**4,788**	4,371	**2,394**	2,391
Fair value gain of an investment property	**1,100**	1,000	**600**	400
Accommodation income on securities deposited by Participants as alternatives to cash deposits of the Margin Funds	**5,340**	820	**3,499**	462
Miscellaneous income	**7,787**	5,728	**4,286**	2,961
	179,996	123,967	**101,872**	71,285

5. Other operating expenses

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	**Unaudited Three months ended 30 Jun 2007 $'000**	Unaudited Three months ended 30 Jun 2006 $'000
Provision for impairment losses of trade receivables	**373**	412	**436**	297
Insurance	**2,413**	8,056	**1,217**	4,049
Financial data subscription fees	**1,986**	2,237	**980**	1,098
Custodian and fund management fees	**4,460**	4,145	**2,267**	2,126
Bank charges	**9,626**	4,774	**6,136**	2,795
Repair and maintenance expenses	**4,339**	4,285	**2,583**	2,593
License fees	**6,653**	4,854	**2,808**	2,346
Communication expenses	**2,698**	2,452	**1,448**	1,304
Other miscellaneous expenses	**26,322**	26,638	**11,383**	13,589
	58,870	57,853	**29,258**	30,197

6. Gain on disposal of an associate

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

7. Taxation

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

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	**Unaudited Three months ended 30 Jun 2007 $'000**	Unaudited Three months ended 30 Jun 2006 $'000
Provision for Hong Kong Profits Tax for the period (note a)	**373,277**	205,309	**213,750**	116,204
Deferred taxation	**(380)**	(5,608)	**(199)**	(2,484)
	372,897	199,701	**213,551**	113,720

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

8. Dividends

	Unaudited Six months ended 30 Jun 2007 $'000	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Three months ended 30 Jun 2007 $'000	Unaudited Three months ended 30 Jun 2006 $'000
Interim dividend declared of $1.79 (2006: $0.94) per ordinary share based on issued share capital as at balance sheet date	**1,913,437**	1,000,962	**1,913,437**	1,000,962
Less: Dividend for shares held by HKEx Employee Share Trust	**(2,306)**	(912)	**(2,306)**	(912)
	1,911,131	1,000,050	**1,911,131**	1,000,050

(a) Actual 2006 interim dividend paid was $1,000,307,000, of which $257,000 was paid on shares issued for employee share options exercised after 30 June 2006.

9. Earnings per share

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

(a) Basic earnings per share

	Unaudited Six months ended 30 Jun 2007	Unaudited Six months ended 30 Jun 2006	Unaudited Three months ended 30 Jun 2007	Unaudited Three months ended 30 Jun 2006
Profit attributable to shareholders ($'000)	**2,330,301**	1,108,311	**1,407,764**	629,472
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme	**1,066,212,556**	1,062,829,246	**1,067,212,215**	1,063,538,851
Basic earnings per share	**$2.19**	$1.04	**$1.32**	$0.59

(b) Diluted earnings per share

	Unaudited Six months ended 30 Jun 2007	Unaudited Six months ended 30 Jun 2006	Unaudited Three months ended 30 Jun 2007	Unaudited Three months ended 30 Jun 2006
Profit attributable to shareholders ($'000)	**2,330,301**	1,108,311	**1,407,764**	629,472
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme	**1,066,212,556**	1,062,829,246	**1,067,212,215**	1,063,538,851
Effect of employee share options	**10,237,627**	11,255,801	**9,133,278**	11,584,907
Effect of Awarded Shares	**1,210,428**	957,434	**1,234,601**	955,590
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,077,660,611**	1,075,042,481	**1,077,580,094**	1,076,079,348
Diluted earnings per share	**$2.16**	$1.03	**$1.31**	$0.58

10. Accounts receivable, prepayments and deposits

The Group's accounts receivable, prepayments and deposits amounted to $11,734,686,000 (31 December 2006: $10,201,562,000). These mainly represented the Group's CNS money obligations receivable under the T+2 settlement cycle, which accounted for 94 per cent (31 December 2006: 94 per cent) of the total accounts receivable, prepayments and deposits. CNS money obligations receivable mature within two days after the trade date. Fees receivable are due immediately or up to 30 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits would mature within three months.

11. Accounts payable, accruals and other liabilities

The Group's accounts payable, accruals and other liabilities amounted to $12,892,346,000 (31 December 2006: $11,107,200,000). These mainly represented the Group's CNS money obligations payable under the T+2 settlement cycle, which accounted for 85 per cent (31 December 2006: 86 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

12. Retained earnings (including proposed/declared dividends)

	Unaudited 2007 $'000	Audited 2006 $'000
At 1 Jan		
Retained earnings	**2,060,156**	1,775,641
Proposed/declared dividends	**1,266,387**	680,163
At 1 Jan	**3,326,543**	2,455,804
Profit for the period/year (note a)	**2,330,301**	2,518,569
Surplus of net investment income net of expenses of Clearing House Funds for the period/year transferred to Clearing House Funds reserves	**(29,391)**	(37,840)
Net investment income net of expenses of Compensation Fund Reserve Account for the period/year transferred to Compensation Fund Reserve Account reserve	**(1,102)**	(2,026)
Transfer from Development reserve (note b)	**-**	72,245
	(30,493)	32,379
Unclaimed dividend forfeited	**1,944**	686
Dividends:		
2006/2005 final dividend	**(1,266,387)**	(679,549)
Dividend on shares issued for employee share options exercised after 31 Dec 2006/31 Dec 2005	**(3,879)**	(1,039)
	(1,270,266)	(680,588)
2006 interim dividend	**-**	(1,000,050)
Dividend on shares issued for employee share options exercised after 30 Jun 2006	**-**	(257)
	-	(1,000,307)
At 30 Jun 2007/31 Dec 2006	**4,358,029**	3,326,543
Representing:		
Retained earnings	**2,446,898**	2,060,156
Proposed/declared dividends	**1,911,131**	1,266,387
At 30 Jun 2007/31 Dec 2006	**4,358,029**	3,326,543

(a) The Group's profit for the period/year included a net profit attributable to net investment income net of expenses of the Clearing House Funds and Compensation Fund Reserve Account for an aggregate amount of $30,493,000 (year ended 31 December 2006: $39,866,000).

(b) The Development reserve was fully utilised in 2006 for funding projects that were for the betterment of the securities market.

PROSPECTS

The Cash and Derivatives Markets remained robust in the second quarter of 2007. Daily turnover in the Cash Market surpassed $100 billion twice in June 2007 and again six times in July 2007. The turnover on 1 August 2007 of $122.4 billion was the highest single-day turnover ever recorded in Hong Kong. The HSI and the H-shares Index closed at record highs of 21999.91 and 12239.71 respectively on 22 June 2007, and further reached 23472.88 and 13480.72 on 24 July 2007. Fuelled by the strong market performance, the closing price of HKEx's shares was $110.50 per share on 29 June 2007, an increase of 29 per cent since the end of 2006.

Looking ahead, macro-economic factors, for example, interest and inflation rates, the macro-control measures to check the pace of the fast-growing Mainland economy and the global economic performance under the worries over the US subprime mortgage problems, may give rise to uncertainties and volatility on the performance of the Cash and Derivatives Markets in Hong Kong.

Nonetheless, there are positive factors for the solid development of the local securities market. Further to the permission granted to Mainland commercial banks, insurance companies and securities institutions to make overseas investment under the QDII scheme last year, mutual funds and securities institutions have been allowed for the first time to invest in overseas stocks effective 5 July 2007 and insurers will be allowed to invest 15 per cent of their assets abroad as announced on 25 July 2007. Hong Kong is well positioned to benefit from the progressive liberalisation of Mainland financial policies.

The Global Financial Centres Index which evaluates the competitiveness of 46 financial centres worldwide, published by the City of London in March this year, ranked Hong Kong as the third global financial centre, behind only London and New York, and said it is a thriving regional centre which performs well in key competitiveness areas, especially in regulation. Although Hong Kong has already established itself as a leading international financial centre, we seek to further broaden our market into one of global significance in the Asian time zone.

HKEx will continue to focus on reinforcing its role as China's international exchange and developing our Mainland business by facilitating the capital formation of Mainland companies globally, and seeking the listing and trading of more Mainland-related products on the Exchange. In addition, we are proactively promoting our securities market to potential quality issuers, particularly those with business in Hong Kong and the Mainland, and exploring the expansion of products and services for global investors. For instance, consultants have been retained to conduct studies in respect of the feasibility of introducing commodities derivatives and emissions-related products for trading in Hong Kong. It is our objective to be a leading international marketplace for securities and derivatives products, which would not only foster the further development of the Group and improve shareholders' return, but also strengthen Hong Kong's competitiveness in the global financial arena.

INTERIM DIVIDEND

The Board has declared an interim dividend of $1.79 per share (2006: $0.94 per share) for the year ending 31 December 2007, amounting to a total of about $1,913 million (2006: $1,001 million) which includes $2,306,000 (2006: $912,000) for shares held in trust under the Employees' Share Award Scheme ("Share Award Scheme") adopted and amended by the Board respectively on 14 September 2005 and 16 August 2006.

The interim dividend is based on 90 per cent of the Group's profit attributable to shareholders ($2,330,301,000) less the profit generated from the sale of the Group's 30 per cent interest in CHIS ($206,317,000).

CLOSURE OF REGISTER OF MEMBERS

HKEx's Register of Members ("ROM") will be closed from Friday, 7 September 2007 to Tuesday, 11 September 2007, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with HKEx's registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Thursday, 6 September 2007. Dividend warrants will be despatched on or about Tuesday, 18 September 2007 to the shareholders on HKEx's ROM ("Shareholders") on 11 September 2007.

REVIEW OF ACCOUNTS

Disclosure of financial information in this announcement complies with Appendix 16 of the Main Board Listing Rules. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2007 in conjunction with HKEx's external auditors.

EMPLOYEES

HKEx's success depends on the performance and commitment of all its employees. Our employee policies are geared towards attracting, developing and motivating talented and suitable people. HKEx offers competitive remuneration, including bonuses and share awards for good performers. A comprehensive review by an independent consultant of HKEx's remuneration policy and structure was conducted in 2006. As a result of the review, a refined remuneration policy and structure strongly linking employees' incentive awards and the performance of the company as well as of employees were introduced.

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

HKEx is committed to staff training and development. To ensure our employees keep up with updated skills and information, HKEx encourages and sponsors employees at all levels to participate in training and career development programmes. E-learning programmes will be introduced in the second half of 2007. E-learning will provide a wide variety of courses to complement classroom-type training programmes, enabling our employees to assess their own training needs and choose appropriate courses.

As at the end of June 2007, there were 835 employees in the Group, including 44 temporary staff (31 December 2006: 828 employees, including 35 temporary staff).

CORPORATE GOVERNANCE

The Directors of HKEx appointed by the Financial Secretary of the Government of Hong Kong Special Administrative Region pursuant to Section 77 of the Securities and Futures Ordinance ("SFO") and the Chief Executive of HKEx in his capacity as a Director are not subject to election or re-election by Shareholders as governed by Section 77 of the SFO and the Articles of Association of HKEx respectively. Save as disclosed in this paragraph, HKEx fully complied with all the provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Main Board Listing Rules, and where appropriate, adopted the recommended best practices throughout the review period.

On 24 April 2007, The Asset named HKEx as one of the best companies in Hong Kong in terms of corporate governance in magazine's annual Corporate Governance Rankings 2007.

GovernanceMetrics International, a corporate governance research and ratings agency, continued to assign high ratings to HKEx in recognition of its high corporate governance standards. As of 15 May 2007, the Global Rating and Home Market Rating remained at 7.5 and 10.0 respectively out of the maximum of 10.0.

In June 2007, the FTSE Group, a global index provider, informed us that HKEx continued to be a member company of the FTSE4Good Index which measures the performance of companies that meet globally recognised corporate responsibility standards and facilitates investment in those companies.

PURCHASE, SALE OR REDEMPTION OF HKEx'S LISTED SECURITIES

During the six months ended 30 June 2007, HKEx had not redeemed, and neither HKEx nor any of its subsidiaries had purchased or sold, any of HKEx's listed securities, except that the trustee of the Share Award Scheme had, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 12,500 shares being the shares awarded under the Share Award Scheme and a further 18,000 shares with the dividend income received during the period in respect of the shares held under the trust. The total amount paid to acquire these 30,500 shares during the period was about $2,592,000.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on HKEx's corporate website at http://www.hkex.com.hk/relation/results/2007_interim_e.pdf and the HKEx website. The 2007 Interim Report will be despatched to Shareholders on or about Tuesday, 4 September 2007 and will be available at HKEx's corporate website at the same time.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises 12 Independent Non-executive Directors, namely Mr ARCULLI, Ronald Joseph (Chairman), Mrs CHA May-Lung, Laura, Mr CHENG Mo Chi, Moses, Dr CHEUNG Kin Tung, Marvin, Mr FAN Hung Ling, Henry, Mr FONG Hup, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Dr LOH Kung Wai, Christine, Mr STRICKLAND, John Estmond, Mr WEBB, David Michael and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr CHOW Man Yiu, Paul, who is also the Chief Executive.

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

Hong Kong, 15 August 2007