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"))

2009 INTERIM RESULTS

The board of directors ("Board") of Hong Kong Exchanges and Clearing Limited ("Company" or "HKEx") submits the unaudited consolidated results of HKEx and its subsidiaries ("Group") for the six months ended 30 June 2009 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 Jun 2009	Six months ended 30 Jun 2008	Change	**Three months ended 30 Jun 2009**	Three months ended 30 Jun 2008	Change
KEY MARKET STATISTICS						
Average daily turnover value on the Stock Exchange	**$58.3 billion**	$87.3 billion	(33%)	**$71.7 billion**	$76.1 billion	(6%)
Average daily number of derivatives contracts traded on the Futures Exchange	**213,630**	191,179	12%	**231,464**	176,748	31%
Average daily number of stock options contracts traded on the Stock Exchange	**206,084**	238,970	(14%)	**217,696**	212,191	3%

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	Change	**Unaudited Three months ended 30 Jun 2009 $'000**	Unaudited Three months ended 30 Jun 2008 $'000	Change
RESULTS						
Revenue and other income	**3,353,094**	4,211,331	(20%)	**2,011,759**	1,926,687	4%
Operating expenses	**760,018**	768,943	(1%)	**405,611**	386,384	5%
Profit before taxation	**2,593,076**	3,442,388	(25%)	**1,606,148**	1,540,303	4%
Taxation	**(392,191)**	(467,982)	(16%)	**(239,502)**	(215,638)	11%
Profit attributable to shareholders	**2,200,885**	2,974,406	(26%)	**1,366,646**	1,324,665	3%
Basic earnings per share	**$2.05**	$2.78	(26%)	**$1.27**	$1.24	2%
Diluted earnings per share	**$2.04**	$2.76	(26%)	**$1.27**	$1.23	3%
Interim dividend per share	**$1.84**	$2.49	(26%)	**$1.84**	$2.49	(26%)
Dividend payout ratio	**90%**	90%	N/A	**N/A**	N/A	N/A

	Unaudited at 30 Jun 2009	Audited at 31 Dec 2008	Change
KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Shareholders' funds ($'000)	**7,518,178**	7,295,322	3%
Total assets * ($'000)	**41,354,831**	62,823,921	(34%)
Net assets per share #	**$6.99**	$6.79	3%

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

Based on 1,074,924,708 shares as at 30 June 2009, being 1,075,939,346 shares issued and fully paid less 1,014,638 shares held for the Share Award Scheme (31 December 2008: 1,073,939,532 shares, being 1,074,886,346 shares issued and fully paid less 946,814 shares held for the Share Award Scheme)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing

Combined Consultation on Proposed Changes to 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")

The Listing Rules amendments for 15 of the 18 issues contained in the 2008 Combined Consultation Paper became effective 1 January 2009, except those relating to the extension of the black out period, which were subsequently modified and took effect on 1 April 2009. Pursuant to the modification, the black out periods applicable to publication of annual and interim financial results are 60 days and 30 days respectively. The consultation conclusion on proposal under Issue 15 (Self-construction of Assets) of the 2008 Combined Consultation Paper was published on 31 July 2009.

Report on Code on Corporate Governance Practices ("CG Code") Implementation

On 20 February 2009, The Stock Exchange of Hong Kong Limited ("Exchange" or "Stock Exchange" or "SEHK") published the findings on its third review of corporate governance practices, as reported by 1,213 issuers in their 2007 annual reports. The findings revealed continued improvements, as listed issuers have chosen not only to comply with the code provisions but also adopt many of the recommended best practices.

Potential Waiver from Profit Test Requirement

On 5 June 2009, SEHK issued a news release setting out the circumstances in which it may consider, on a case-by-case basis, granting waivers to Main Board Initial Public Offering ("IPO") applicants from strict compliance with the profit test requirements under the Main Board Listing Rule 8.05(1)(a) if their profit over the track record period has been temporarily and adversely affected by the global financial crisis. The Exchange will review the existing profit test and other components of the eligibility requirements at a suitable time.

Report on Review of Listed Issuers' Financial Reports

On 12 June 2009, SEHK published the key observations and findings on its review of 100 financial reports released by listed issuers in 2007 and 2008, which is part of the Exchange's Financial Statements Review Programme, aiming to promote higher standards of financial disclosure.

Enhancing Listing Efficiency

On 26 June 2009, SEHK published a consultation paper on proposed changes to the filing and checklist requirements for the listing of equity securities with the aim of streamlining the listing process to reduce unnecessary costs, delay and paperwork. This initiative also forms part of the action plan to implement the consultant's recommendations given upon the strategic review of the Listing Rules and their application.

Web Proof Information Pack ("WPIP") Implementation

The Exchange introduced revised logistical arrangements to enable WPIPs to be submitted through the e-Submission System.

Review of Chapter 18 of the Main Board Listing Rules

The Listing Committee has considered the policy paper prepared based on the external consultants' report on the listing requirements and disclosure obligations for mineral companies, which will form the basis of market consultation scheduled for publication in the second half of 2009.

Other Consultations

On 31 July 2009, the Exchange published a consultation paper to seek the public's views on proposals to shorten the notice period for book closure for rights issues and open offers from 14 calendar days to 5 business days with at least 2 uninterrupted trading days for trading in securities whose holders are entitled to the subscription rights, and to amend the minimum subscription period for rights issues and open offers from 14 calendar days to 10 business days. The deadline for replies to the consultation paper is 30 September 2009.

The Exchange will continue to explore various approaches and consider the issue of periodic financial reporting further at the Listing Policy Meeting.

Mixed Media Offer ("MMO") and Incorporation by Reference Initiatives

The MMO proposal, a joint project of the Securities and Futures Commission ("SFC") and HKEx, is designed to reduce the number of printed prospectuses without compromising shareholder protection. This involves a new Companies Ordinance class exemption to dispense issuers with printing and distributing hardcopy prospectuses together with the application forms on certain conditions which include posting the prospectus online and making it available in printed format to investors upon request.

In light of the Lehman Mini-bond incident which has raised concerns about the preparation and distribution of prospectuses, the SFC in early 2009 decided to temporarily put the proposal on hold to further examine the shareholder protection impact.

In this connection, the incorporation by reference initiative, which follows the policy rationale in the MMO proposal to reduce the size of the prospectus by posting the information online and making it available in printed format to investors upon request, was also put on hold by the SFC.

Cash Market

Market Performance

In the first six months of 2009, 18 companies were newly listed on the Main Board (including 4 transferred from the Growth Enterprise Market ("GEM")), and none on GEM. Two Main Board companies and 4 GEM companies were delisted. Total capital raised reached $217.4 billion (including funds raised through IPOs of $17.6 billion). As at 30 June 2009, 1,103 and 170 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about $14,147.6 billion. In addition, there were 2,726 Derivative Warrants

("DWs"), 1,620 Callable Bull/Bear Contracts ("CBBCs"), 7 Real Estate Investment Trusts, 30 Exchange Traded Funds ("ETFs") and 167 debt securities listed as at 30 June 2009. The average daily turnover in the first six months of 2009 was about $58.1 billion on the Main Board and about $196 million on GEM.

Suspension of Closing Auction Session ("CAS")

Upon suspension of the CAS in the securities market on 23 March 2009, the pre-CAS closing time at 4 pm and the method for calculating closing prices for securities were resumed. HKEx will continue to explore possible alternative CAS arrangements, and put forward proposals, if any, for public consultation before implementation.

ETF Market Development

HKEx's ETF market has continued to grow and the number of ETFs increased to 30 as at the end of June 2009, with 6 new ETF listings in the second quarter of 2009. Further, 5 additional ETFs covering stock markets in Hong Kong, India, Korea, Vietnam and the US were listed on 8 July 2009. To promote greater transparency, HKEx has posted the market making obligations for individual ETFs on its website.

Structured Product Development

With the rapid growth of the CBBC market since its launch in 2006, CBBCs together with DWs now constitute a significant segment of the securities market. At the end of June 2009, CBBCs and DWs represented 28 and 47 per cent of the total number of the listed securities on the Exchange, with average daily turnover reaching $6.8 billion (accounted for 12 per cent of the average daily market turnover) and $6.0 billion (accounted for 10 per cent of the average daily market turnover) respectively. There are currently 13 active CBBC issuers and 19 active DW issuers, and their numbers continue to grow.

Automation of Stamp Duty Reporting and Payment

Subject to market readiness and relevant rule amendments, HKEx plans to automate stamp duty reporting and payment process in the first half of 2010 to further increase market efficiency, reduce paper consumption and help Exchange Participants ("EPs" or "Participants") streamline their operations.

Derivatives Market

Market Performance

The total futures and options turnover volume for the first six months of 2009 was 50,785,435 contracts, a decline of 2 per cent against the corresponding period in 2008, and the open interest decreased 16 per cent to 4,322,095 contracts. In the second quarter of 2009, the total turnover improved by 17 per cent compared to the first quarter. Hang Seng Index ("HSI") Futures and Options outperformed other products with an increase of 10 per cent in the first half of 2009, as compared with the same period in 2008.

No-action Relief for Mini Futures Contracts

Consequent on the grant of no-action relief to Hong Kong Futures Exchange Limited ("Futures Exchange" or "HKFE") by the US Commodity Futures Trading Commission ("CFTC") on 16 January 2009, EPs may, by observing the relevant CFTC rules, offer and sell mini futures contracts based on the HSI and Hang Seng China Enterprises Index ("H-shares Index") in the US.

Change in Closing Hours for Stock Index Futures and Options ("SIFO")

Following the suspension of the CAS in the securities market, the closing time for SIFO at 4:15 pm for full-day trading and 12:30 pm for half-day trading, ie on the eves of Christmas, New Year and Chinese New Year, was resumed. The closing time for SIFO on the last trading day remains at 4:00 pm and 12:30 pm for full-day and half-day trading respectively.

Increase in Position Limits for Stock Option Classes

In view of the growing stock options market, the position limits of 6 option classes were revised from 30,000 open contracts per option class in any direction for all expiry months combined to 50,000 effective 2 July 2009. All option classes are now subject to a position limit of 50,000 contracts except one which will cease trading at the end of December 2009.

Public Consultation on Certified Emission Reduction ("CER") Futures

A consultation paper on CER Futures was published on 26 June 2009 to seek views and comments from interested parties in the emissions market, including financial intermediaries, investors, participants in the Clean Development Mechanism project and public policy makers, on the business feasibility of developing an emissions trading platform in Hong Kong and CER futures as a product concept. The consultation will end on 31 August 2009.

Introduction of New Option Classes

Following the introduction of the 3 stock option classes, namely China Overseas Land & Investment Limited, Tencent Holdings Limited and Zijin Mining Group Company Limited, on 6 July 2009, the Derivatives Market had a total of 51 stock option classes, including major stocks in the Cash Market as the underlying securities.

Options with Flexible Features

HKEx plans to seek regulatory approval to accept the booking of trades in HSI options and H-shares Index options with flexibility in strike prices and expiry months starting from the first quarter of 2010. Large deals in some of the over-the-counter ("OTC") contracts with the same specifications as standard exchange-traded contracts are already executed as block trades through the Hong Kong Futures Automated Trading System ("HKATS"). Booking of options with flexible features would better meet the needs of OTC market participants and help improve their capital efficiency, as well as counterparty risk mitigation. HKEx plans to release an information paper setting out the key facts of this initiative such as the facility, operational model, benefits and impacts on market participants in September 2009.

Development of Volatility Index

HKEx is working with index companies to develop a volatility index based on HSI option prices with a view to providing a benchmark of volatility for the marketplace. Volatility is a key component in pricing options, DWs and various equity-linked instruments. An observable volatility index would enhance transparency and help develop the equity derivatives markets.

Clearing

Participantship Opens to Overseas Clearing Houses and Central Depositories

In order to provide an additional and lower cost option to overseas market participants who are holding Hong Kong-listed securities as custodians, and to facilitate more order flow to Hong Kong, overseas clearing houses and central depositories (collectively, "CSDs") can now apply to become Clearing Agency Participants ("CAPs") of Hong Kong Securities Clearing Company Limited ("HKSCC") in respect of those Hong Kong-listed securities. CSDs will manage their accounts in the Central Clearing and Settlement System ("CCASS") electronically through CCASS terminals installed in their jurisdictions, and they will be subject to Hong Kong laws and the participant agreement to be executed with HKSCC. For due diligence purposes, HKSCC will follow the international practice and require CSDs to submit independent legal opinion on their eligibility, under the laws of their jurisdictions, to become CAPs.

Scripless Securities Market

The SFC set up a working group in April 2009 to study the feasibility of a scripless securities market in Hong Kong. HKEx, together with other market representatives as participants of the group, are working on a potential scripless operational model. Led by the SFC, a joint consultation paper on the proposed model would be issued by the working group tentatively by the fourth quarter of 2009.

CCASS Service Enhancement

Effective 25 May 2009, a new intra-day report is provided to the CCASS Clearing and Custodian Participants to facilitate their monitoring of intra-day settlement activities shortly after the completion of the second batch settlement run at around 12:30 pm.

T+2 Finality for Stock Exchange Trades

Securities trades executed on the Stock Exchange are currently settled in CCASS on T+2 while the money settlement is completed in the morning of T+3. HKEx plans to implement T+2 Finality for Stock Exchange Trades to reduce the overnight counterparty risk created by the settlement time gap. With the support of the Hong Kong Monetary Authority and Hong Kong Interbank Clearing Limited, a model has been proposed to effect money settlement at the end of T+2 so as to bring finality of securities and money settlement for Stock Exchange Trades and Settlement Instructions ("SIs") on the same business day. HKEx is currently seeking feedback from certain banks and clearing house participants on the proposed model for market consultation around the end of third quarter this year.

Participant Services

Further Streamlining of Provision of EP Information

Effective 1 June 2009, EPs are no longer required to notify HKEx of certain corporate information, including their principal and branch addresses. HKEx will obtain such information directly from the SFC electronically. In addition, EPs of the Stock Exchange are no longer required to appoint a branch office manager or person in charge for each and every branch office that they operate. Their Responsible Officers will be the contact for all trading-related matters. EPs' operations are thus streamlined and much paper will be saved due to this initiative.

Participant Training and Market Education

During the period under review, HKEx organised 10 Continuous Professional Training courses jointly with the Hong Kong Securities Institute on HKEx's clearing systems, services and products. Apart from courses on the Automatic Order Matching and Execution System/Third Generation ("AMS/3") and HKATS to familiarise EPs with the trading devices and relevant rules and procedures, 31 EP briefings and 5 seminars relating to the Derivatives Market were conducted for a total of over 1,600 attendees.

HKEx sponsored 11 EPs in a series of promotional activities organised by a commercial radio station in the first quarter of 2009 to raise market awareness and increase retail participation in stock options and gold futures. Activities included air-time for advertisements on the radio, newspaper write-ups and an investment expo which attracted over 3,000 participants.

HKEx has commenced a Joint Promotional Programme on Stock Options with the Options Trading Exchange Participants, which will end in December 2009, with the aim of boosting retail investors' participation.

To raise investor awareness of HSI-related futures contracts, HKEx will sponsor prizes and real-time market data feeds for 6 EPs who will organise online simulation games in the second half of this year for investors to experience mock trading in index futures.

EP Recruitment

In the first six months of 2009, 12 SEHK Participants and 15 HKFE Participants were newly admitted, including those from France, Hong Kong, India, Switzerland, Taiwan, the Mainland, the Netherlands, the UK, and the US. As at the end of June 2009, there were a total of 494 SEHK Participants and 162 HKFE Participants.

Non-Transferability of Trading Rights

On 24 July 2009, HKEx issued circulars to Participants of Stock Exchange and Futures Exchange to remind them of the restricted transferability of trading rights. Pursuant to the Scheme Document for the merger of the 2 exchanges and their clearing houses on 6 March 2000, the trading rights conferred on the then shareholders of the 2 exchanges can only be transferred once within a period of 10 years from the date of merger and shall become non-transferable after 5 March 2010. Trading rights issued by the 2 exchanges subsequent to the merger are non-transferable at all times.

Promotional Activities

Listing Promotion Activities

In the first half of 2009, 8 events were co-organised in the Mainland, Hong Kong and overseas to introduce Hong Kong as one of the most active markets for new listings and fund raisings. Meetings were held with government officials and potential issuers in 25 cities in 9 Mainland provinces, and 6 other countries and regions to explain the advantages of listing on the Exchange.

In June 2009, the Chairman and a senior executive joined delegates led by Hong Kong's Financial Secretary, Mr John Tsang, to meet with potential issuers, senior officials of government agencies, exchanges and intermediaries in Russia to promote listing in Hong Kong.

In light of increasing interest from international natural resources and mineral companies in seeking a listing in Hong Kong, HKEx in conjunction with the organisers of Mines and Money Asia 2009 hosted a seminar on 3 June 2009 for interested parties.

Promoting HKEx's Markets

In May 2009, the Chief Executive and other senior executives participated in the "Cross Border ETF Market Forum – Taiwan, Hong Kong and China" organised by the Taiwan Stock Exchange in Taipei to promote the Hong Kong ETF market. Stock exchanges and related organisations of Taiwan, Shanghai and Shenzhen also took part in the forum.

Information Services

Provision of Free Real-time Basic Market Prices on Websites

HKEx plans to launch a 2-year pilot programme under which real-time nominal and last traded prices of securities will be publicly available on designated websites free of charge.

The key service terms have largely been finalised with 6 short-listed websites (3 from Hong Kong and 3 from the Mainland). Soft-launch of the new service is tentatively set for the fourth quarter of this year with the official launch on 1 January 2010. The pilot programme would run until the end of December 2011.

Mainland Market Data Collaboration Programme

The Mainland Market Data Collaboration Programme between HKEx and the Shanghai Stock Exchange ("SSE") came into effect on 1 January 2009. Under the programme, both HKEx and SSE are allowed to redistribute the other party's basic real-time market data of companies dually listed in the 2 markets to their own authorised information vendors for onward transmission to their subscribers for internal display purposes. Up to the end of June 2009, a total of 18 HKEx information vendors and 14 SSE information vendors have participated in the programme.

Information Technology

System Reliability, Availability and Stability

All major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets operated by HKEx continued to maintain 100 per cent operational system uptime. HKEx remains committed to upholding system reliability, availability and stability.

System Capacity Planning and Upgrade

A technical revamp for AMS/3 is underway to further increase the order processing rate by 100 per cent to about 3,000 orders per second. A new interface architecture is also being introduced at the same time to facilitate higher scalability for satellite systems. Corresponding design improvements are also being implemented for the Latest Generation of CCASS ("CCASS/3") and Market Datafeed System for capacity alignment with AMS/3.

A hardware upgrade was completed in April 2009 to further increase the HKATS capacity by 50 per cent to about 8,100 orders per second to support rapid growth in market-making activities of stock options. The corresponding capacity upgrade for the Price Reporting System was completed in July 2009 to support projected increases in market data volume and information vendor connections.

Obsolete Technology Replacement and Upgrade

As a proactive measure to achieve sustainable high availability and quality vendor support for mission critical systems, a technology upgrade of the CCASS/3 mainframe system software and database system is in progress with completion targeted in the third quarter of 2009. In addition, HKEx will upgrade the tunnel servers and central gateways hardware of HKATS/the Derivatives Clearing and Settlement System ("DCASS") installed mostly in 2002.

Independent Review of Derivatives Market Systems

HKEx will conduct an independent review of the core application systems (including trading, clearing and settlement, and market data dissemination systems) serving the Derivatives Market in the third quarter of 2009, which constitutes part of HKEx's ongoing initiatives to ensure operational excellence for its mission critical systems.

System Consolidation and Operational Efficiency

HKEx implemented a number of initiatives in the first half of 2009 to improve operational efficiency and reduce paper consumption, including implementation of the Employees' e-Securities Declaration and Approval System and conversion as far as possible of data centre reports to electronic format. In the second half of 2009, HKEx will rollout the e-Performance Management System and explore opportunities to enhance the environmental friendliness of the Management Information System.

HKEx Website Revamp

The revamp of the HKEx website is in progress with its launch scheduled for the fourth quarter of 2009.

HKEx Data Centre and Information Technology ("IT") Office Consolidation

In June 2009, HKEx relocated the primary Derivatives Market data centre and the related IT team from Central to its expanded data centre in Quarry Bay, which was built in accordance with prevailing best practices, including high availability and environmental friendliness standards.

HKEx is also evaluating alternatives to further consolidate its data centres into a next generation mega data centre with modernised facilities to cope with future business expansion.

Risk Management

Market Surveillance

During the six months ended 30 June 2009, HKEx, pursuant to the Memorandum of Understanding between the SFC and HKEx on market surveillance matters, referred to the SFC 56 cases involving possible violation in its Cash and Derivatives Markets of the relevant Hong Kong laws or SFC codes, rules and regulations. Of the 56 cases referred, 31 were Cash Market related (of which 18 were tied to CAS) and 25 were Derivatives Market related.

Treasury

The Group's funds available for investment comprise Corporate Funds, Margin Funds and Clearing House Funds, totalling $42.8 billion on average for the six months ended 30 June 2009 (first half of 2008: $69.9 billion).

As compared with 31 March 2009, the overall size of funds available for investment as at 30 June 2009 decreased by 9 per cent or $3.3 billion to $34.8 billion (31 March 2009: $38.1 billion). Details of the asset allocation of the investments as at 30 June 2009 against those as at 31 March 2009 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	**11.8**	13.0	**44%**	46%	**54%**	53%	**2%**	1%
Margin Funds	**21.8**	23.8	**37%**	39%	**63%**	61%	**0%**	0%
Clearing House Funds	**1.2**	1.3	**27%**	27%	**73%**	73%	**0%**	0%
Total	**34.8**	38.1	**39%**	41%	**60%**	59%	**1%**	0%

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 and mutual funds held under the Corporate Funds ($0.2 billion as at 30 June 2009 and at 31 March 2009), which have no maturity date, the maturity profiles of the remaining investments as at 30 June 2009 ($34.6 billion) and 31 March 2009 ($37.9 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	**11.6**	12.8	**42%**	42%	**1%**	8%	**25%**	33%	**22%**	11%	**10%**	6%
Margin Funds	**21.8**	23.8	**35%**	41%	**6%**	11%	**44%**	47%	**15%**	1%	**0%**	0%
Clearing House Funds	**1.2**	1.3	**67%**	66%	**10%**	4%	**4%**	30%	**19%**	0%	**0%**	0%
Total	**34.6**	37.9	**38%**	43%	**4%**	10%	**37%**	41%	**18%**	4%	**3%**	2%

Credit exposure is well diversified. The Group's bond portfolio held is of investment grade and, as at 30 June 2009, had a weighted average credit rating of Aa2 (31 March 2009: Aa2) and a weighted average maturity of 1.4 years (31 March 2009: 0.8 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 (1 year is used by the Group). The overall risk, as measured by the VaR methodology, during the second quarter of 2009 and the first quarter of 2009 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	**31.3**	23.2	**33.3**	28.5	**28.9**	20.8
Margin Funds	**30.5**	20.2	**40.3**	22.2	**21.4**	17.9
Clearing House Funds	**1.8**	0.4	**2.9**	0.6	**0.5**	0.3

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

FINANCIAL REVIEW

Overall Performance

	Note	**Unaudited Six months ended 30 Jun 2009 $'000**	Unaudited Six months ended 30 Jun 2008 $'000
RESULTS			
Revenue and other income:			
Income affected by market turnover	(A)	**2,187,131**	2,624,437
Stock Exchange listing fees	(B)	**326,774**	355,960
Income from sale of information	(C)	**326,501**	354,419
Other revenue	(D)	**174,366**	217,923
Net investment income	(E)	**338,322**	589,951
Gain on disposal of properties	(F)	**-**	68,641
		3,353,094	4,211,331
Operating expenses		**760,018**	768,943
Profit before taxation		**2,593,076**	3,442,388
Taxation		**(392,191)**	(467,982)
Profit attributable to shareholders		**2,200,885**	2,974,406

The Group recorded a profit attributable to shareholders of $2,201 million for the first six months of 2009 (first quarter: $834 million; second quarter: $1,367 million) compared with $2,974 million for the same period in 2008 (2008 first quarter: $1,650 million; second quarter: $1,324 million).

The drop in profit for the six months ended 30 June 2009 against that of 2008 was primarily attributable to the lower turnover-related income resulting from the decrease in activity in the Cash Market and the drop in net investment income on account of lower net interest income in 2009. Moreover, the one-off gain on the disposal of 2 properties of $69 million in 2008 was not repeated in 2009.

Total operating expenses fell marginally by 1 per cent during the period mainly due to lower staff costs but were partly offset by an increase in premises expenses.

Revenue and Other Income

(A) Income Affected by Market Turnover

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	Change
Trading fees and trading tariff	**1,216,284**	1,553,482	(22%)
Clearing and settlement fees	**651,432**	774,860	(16%)
Depository, custody and nominee services fees	**319,415**	296,095	8%
Total	**2,187,131**	2,624,437	(17%)

The decrease in trading fees and trading tariff was mainly due to the lower turnover in the Cash Market in the first six months of 2009 against that of the corresponding period last year.

Clearing and settlement fees are derived predominantly from Cash Market transactions. The decrease in clearing and settlement fees in 2009 was mainly due to the lower turnover in the Cash Market. Despite being mostly ad valorem fees, clearing and settlement fees are also affected by the volume of SIs and are subject to a minimum and a maximum fee per transaction and therefore may not always move exactly with changes in the turnover of the Cash Market. In 2009, clearing and settlement fees did not decrease by the same percentage as the turnover in the Cash Market since the drop in transaction value of SIs was smaller, and a lower proportion of the value of SIs and exchange-traded transactions settled was subject to the maximum fee and a higher proportion of the value of SIs and exchange-traded transactions settled was subject to the minimum fee.

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

Key Market Indicators

	Six months ended 30 Jun 2009	Six months ended 30 Jun 2008	Change
Average daily turnover value on the Stock Exchange	**\$58.3 billion**	\$87.3 billion	(33%)
Average daily number of derivatives contracts traded on the Futures Exchange	**213,630**	191,179	12%
Average daily number of stock options contracts traded on the Stock Exchange	**206,084**	238,970	(14%)

(B) Stock Exchange Listing Fees

	Unaudited Six months ended 30 Jun 2009 \$'000	Unaudited Six months ended 30 Jun 2008 \$'000	Change
Annual listing fees	**176,965**	169,804	4%
Initial and subsequent issue listing fees	**147,702**	183,426	(19%)
Others	**2,107**	2,730	(23%)
Total	**326,774**	355,960	(8%)

The increase in annual listing fees was attributable to the higher number of listed companies. The drop in initial and subsequent issue listing fees was due to the decrease in the number of newly listed DWs but was partly offset by the increase in the number of newly listed CBBCs.

Key Drivers for Annual Listing Fees

	As at 30 Jun 2009	As at 30 Jun 2008	Change
Number of companies listed on Main Board	**1,103**	1,065	4%
Number of companies listed on GEM	**170**	189	(10%)
Total	**1,273**	1,254	2%

Key Drivers for Initial and Subsequent Issue Listing Fees

	Six months ended 30 Jun 2009	Six months ended 30 Jun 2008	Change
Number of newly listed DWs	**1,574**	2,777	(43%)
Number of newly listed CBBCs	**3,685**	953	287%
Number of newly listed companies on Main Board	**18**	21	(14%)
Number of newly listed companies on GEM	**-**	2	(100%)
Total equity funds raised on Main Board			
– through IPOs	**$17.6 billion**	$50.1 billion	(65%)
– Post-IPO	**$198.8 billion**	$66.9 billion	197%
Total equity funds raised on GEM			
– through IPOs	**-**	$0.2 billion	(100%)
– Post-IPO	**$1.0 billion**	$5.0 billion	(80%)

(C) Income from Sale of Information

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	Change
Income from sale of information	**326,501**	354,419	(8%)

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

(D) Other Revenue

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	Change
Network, terminal user, dataline and software sub-license fees	**130,089**	159,820	(19%)
Participants' subscription and application fees	**17,540**	17,129	2%
Brokerage on direct IPO allotments	**928**	4,577	(80%)
Trading booth user fees	**7,419**	4,777	55%
Accommodation income	**2,704**	15,216	(82%)
Sales of Trading Rights	**7,500**	6,835	10%
Miscellaneous revenue	**8,186**	9,569	(14%)
Total	**174,366**	217,923	(20%)

Network, terminal user, dataline and software sub-license fees dropped mainly due to a decrease in sales of additional throttle.

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

Trading booth user fees rose as the monthly user fees were increased in 2009 to reflect the rental increase of the Trading Hall.

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

(E) Net Investment Income

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	Change
Gross investment income	**340,565**	662,734	(49%)
Interest rebates to Participants	**(2,243)**	(72,783)	(97%)
Net investment income	**338,322**	589,951	(43%)

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

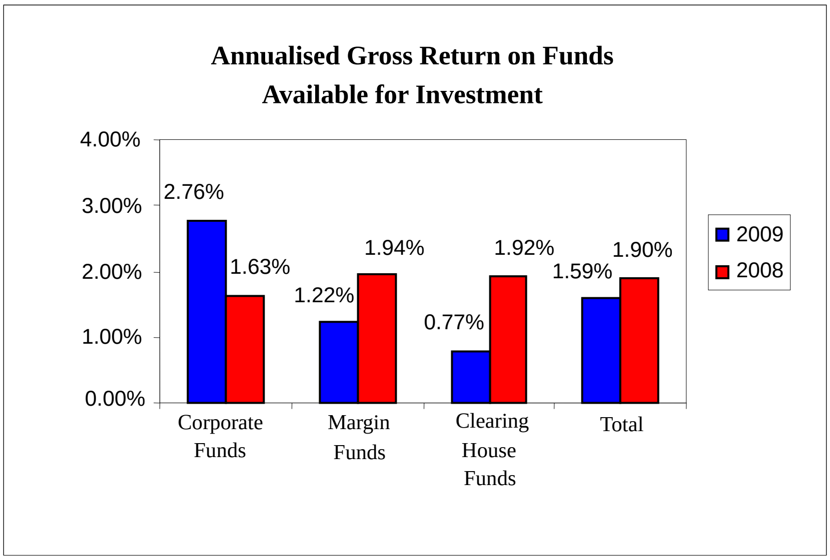
	Six months ended 30 Jun 2009 $ billion	Six months ended 30 Jun 2008 $ billion	Change
Corporate Funds	**10.7**	10.0	7%
Margin Funds	**30.8**	58.2	(47%)
Clearing House Funds	**1.3**	1.7	(24%)
Total	**42.8**	69.9	(39%)

The significant drop in the average amount of Margin Funds available for investment during the period was primarily caused by the decreased open interest in futures contracts and the lower margin rate applicable per futures contract.

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

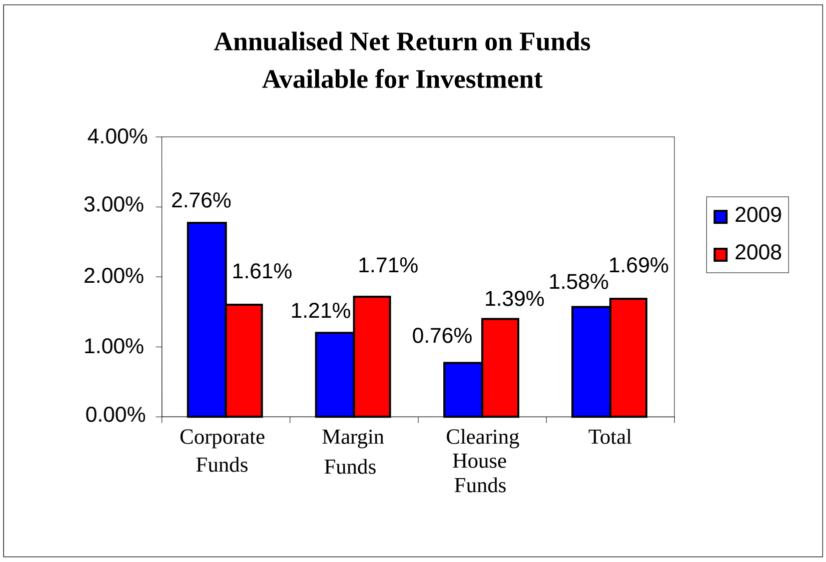
The lower net investment income was primarily due to the significant drop in net interest income of Corporate Funds and Margin Funds arising from the decrease in interest rates and lower Margin Fund size during the first six months of 2009 as compared with the corresponding period in 2008, but was partly offset by the increase in fair value gains of Corporate Fund investments, reflecting market movements.

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



The gross return for Margin Funds and Clearing House Funds was brought down by the decrease in interest rates. The increase in gross return of the Corporate Funds was mainly due to the fair value gains of the Corporate Fund investments during the first six months of 2009, as opposed to the fair value losses of the Corporate Fund investments in the corresponding previous period, reflecting market movements.

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.



The net returns of all the funds were similar to the gross returns as very small amounts of interest rebates were paid to Participants since the rates of interest rebates (predominantly savings rate) fell to almost zero.

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

(F) Gain on Disposal of Properties

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	Change
Gain on disposal of properties	**-**	68,641	(100%)

In February 2008, the Group sold an investment property and one of the leasehold properties generating a gain of $69 million.

Operating Expenses

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	Change
Staff costs and related expenses	**409,571**	451,986	(9%)
Information technology and computer maintenance expenses	**119,769**	121,526	(1%)
Premises expenses	**111,924**	69,722	61%
Product marketing and promotion expenses	**6,335**	9,637	(34%)
Legal and professional fees	**7,153**	8,850	(19%)
Depreciation	**47,619**	49,938	(5%)
Other operating expenses	**57,647**	57,284	1%
Total	**760,018**	768,943	(1%)

Staff costs and related expenses decreased by $42 million, primarily due to the reduction in performance bonus accrual on account of the Group's lower profit and the decrease in share-based compensation expenses upon vesting of certain share options and the shares awarded ("Awarded Shares") under the HKEx Employees' Share Award Scheme ("Share Award Scheme").

The Group's information technology and computer maintenance expenses, excluding costs of services and goods directly consumed by the Participants of $50 million (2008: $48 million), were $70 million (2008: $74 million). The lower costs of services and goods consumed by the Group were mainly due to a decrease in maintenance costs for CCASS/3 and DCASS due to the expiry of certain maintenance contracts. Costs of services and goods consumed by Participants were mostly recovered from the Participants and the income was included as part of the network, terminal user, dataline and software sub-license fees under Other Revenue.

Premises expenses rose due to increases in rental upon renewal of certain leases and the leasing of additional floor space.

Taxation

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	Change
Taxation	**392,191**	467,982	(16%)

Taxation fell mainly attributable to a decrease in profit before taxation, but was partly offset by the decrease in non-taxable investment income and non-taxable gain on disposal of properties.

Comparison of 2009 Second Quarter Performance with 2009 First Quarter Performance

	Unaudited Three months ended 30 Jun 2009 $'000	Unaudited Three months ended 31 Mar 2009 $'000	Change
Revenue and other income:			
Income affected by market turnover:			
Trading fees and trading tariff	**720,453**	495,831	45%
Clearing and settlement fees	**394,604**	256,828	54%
Depository, custody and nominee services fees	**257,429**	61,986	315%
	1,372,486	814,645	68%
Stock Exchange listing fees	**173,181**	153,593	13%
Income from sale of information	**171,681**	154,820	11%
Other revenue	**89,959**	84,407	7%
Net investment income	**204,452**	133,870	53%
	2,011,759	1,341,335	50%
Operating expenses	**405,611**	354,407	14%
Profit before taxation	**1,606,148**	986,928	63%
Taxation	**(239,502)**	(152,689)	57%
Profit attributable to shareholders	**1,366,646**	834,239	64%

Profit attributable to shareholders increased from $834 million in the first quarter of 2009 to $1,367 million in the second quarter of 2009. The increase in profit was mainly driven by the improved investor sentiment and higher net investment income. The increase in profit was partly offset by the increase in operating expenses and taxation charge.

Trading fees and trading tariff, clearing and settlement fees, and income from sale of information all rose in tandem with the activities in the Cash and Derivatives Markets. Stock Exchange listing fees increased with the higher number of newly listed DWs and CBBCs in the second quarter as compared to the first quarter. Depository, custody and nominee services fees also rose as a result of an increase in scrip fee income due to seasonal fluctuations. Net investment income increased mainly due to the significant increase in fair value gains of Corporate Fund investments, reflecting market movements, but was partly offset by the decrease in net interest income.

Key Market Indicators

	Three months ended 30 Jun 2009	Three months ended 31 Mar 2009	Change
Average daily turnover value on the Stock Exchange	**$71.7 billion**	$44.7 billion	60%
Average daily number of derivatives contracts traded on the Futures Exchange	**231,464**	195,499	18%
Average daily number of stock options contracts traded on the Stock Exchange	**217,696**	194,279	12%

Operating expenses increased by 14 per cent mainly as a result of the increase in performance bonus accrual on account of the Group's improved performance in the second quarter and the increase in premises expenses.

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

Working Capital

Working capital fell by $4,530 million or 63 per cent to $2,667 million as at 30 June 2009 (31 December 2008: $7,197 million). The reduction was primarily due to the increase in financial assets and time deposits maturing over 1 year of $4,790 million, the payment of the 2008 final dividend of $1,935 million in May 2009 and the decrease in other working capital of $6 million, but was partly offset by the profit generated during the six months of $2,201 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 2009, the Group's total available banking facilities amounted to $9,550 million (31 December 2008: $3,850 million), of which $9,000 million (31 December 2008: $3,000 million) was repurchase facilities and $500 million (31 December 2008: $800 million) was a facility to draw down against certain bank deposits.

Borrowings by the Group have been rare and are mostly event driven, with little seasonality. As at 30 June 2009 and 31 December 2008, the Group had no bank borrowings and therefore had a zero gearing.

The Group's capital expenditure commitments as at 30 June 2009 were mainly related to the ongoing investments in facilities and technology, and amounted to $55 million (31 December 2008: $84 million). The Group has ample internal resources to fund its commitments on capital expenditure.

As at 30 June 2009, 99 per cent (31 December 2008: 99 per cent) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and time deposits within 3 months of maturity when acquired) were denominated in HKD or USD.

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

Save for those disclosed in this announcement, there were no significant investments held, nor material acquisitions and disposals of subsidiaries during the period under review. There is no plan for material investments or capital assets as at the date of this announcement.

Charges on Assets

None of the Group's assets was pledged as at 30 June 2009 and 31 December 2008.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

As at 30 June 2009, the aggregate net open foreign currency positions amounted to HK$7,510 million, of which HK$129 million were non-USD exposures (31 December 2008: HK$6,584 million, of which HK$211 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK$3,350 million (31 December 2008: HK$3,219 million). All forward foreign exchange contracts would mature within 2 months (31 December 2008: 2 months).

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

Contingent Liabilities

The Group has a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding $72 million. Up to 30 June 2009, no calls had been made by the SFC in this connection.

The Stock Exchange has undertaken to indemnify the Collector of Stamp Revenue against any loss of revenue resulting from any underpayment or default or delay in payment of stamp duty by its Participants, up to $200,000 in respect of the default of any one Participant. In 2008, Lehman Brothers Securities Asia Limited ("LBSA") defaulted on its stamp duty payments. The Stock Exchange has accordingly paid $200,000 to the Collector of Stamp Revenue in respect of the guarantee. In the unlikely event that all of its remaining 457 trading Participants as at 30 June 2009 (31 December 2008: 448) defaulted, the maximum contingent liability of the Stock Exchange under the indemnity would amount to $91,400,000 (31 December 2008: $89,600,000).

HKEx gave an undertaking on 6 March 2000 in favour of HKSCC to contribute an amount not exceeding $50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEx or within 1 year after HKSCC ceases to be a wholly-owned subsidiary of HKEx, for payment of the debts and liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEx, and for the costs, charges and expenses of winding up.

Changes since 31 December 2008

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 2008.

OPERATIONAL REVIEW

Organisational Changes

Effective 1 March 2009, Mr Mark F Dickens was appointed the Head of Listing to succeed Mr Richard G Williams. Messrs Gerald D Greiner and Derrick P Y Fung were appointed the Chief Executive of HKSCC and the Head of Clearing respectively upon Mr Stewart S C Shing's retirement effective 1 April 2009. The updated organisation chart is posted on the HKEx website.

HKEx would like to take this opportunity to express its appreciation for Richard's and Stewart's dedication and contribution to HKEx. Under Richard's leadership, numerous important initiatives were successfully launched in the primary market and enhancements were continuously made to the internal processes and service standards of the Listing Division to improve the regulation and quality of our market. Stewart was a pioneer in the design, development and implementation of CCASS in the early 1990s and accomplished many other important objectives which have been instrumental to the success of our market. HKEx has benefited greatly from their solid knowledge, leadership skills and professionalism.

On 3 June 2009, HKEx announced the appointment of Mr Charles X J Li to succeed Mr Paul M Y Chow upon his retirement as the Chief Executive and to become an ex-officio member of the Board effective 16 January 2010. To ensure a smooth transition, Mr Li will join HKEx on 16 October 2009.

Employees

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

HKEx encourages and supports our employees to reach their full potential through continuous training and career development. Employees can attend in-house training programmes or enrol in external seminars for which sponsorship is provided. In the first half of 2009, 73 in-house courses were organised, which collectively attracted more than 2,700 attendees. A total of 140 employees attended over 300 external seminars, while 123 participated in HKEx's e-learning scheme.

As at the end of June 2009, the Group had 849 employees, including 6 temporary staff (31 December 2008: 865 employees, including 17 temporary staff).

Corporate Governance

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

As of 15 May 2009, HKEx's Global and Home Market Ratings assigned by GovernanceMetrics International, a corporate governance ratings and research firm, were 8.5 and 10.0 respectively out of the maximum of 10.0.

As informed by the FTSE Group, the global index company, in May 2009, HKEx continued to be a constituent company in the FTSE4Good Index Series which is designed to identify companies that meet globally recognised corporate responsibility standards.

HKEx is committed to improving its corporate governance and welcomes stakeholders' comments. Comments can be sent in writing or by email to ssd@hkex.com.hk. Details of our corporate governance practices are set out in the Corporate Governance section (www.hkex.com.hk/exchange/cg/CORPORATE_GOVERNANCE.htm) of the HKEx website.

Corporate Social Responsibility ("CSR") Development

In March 2009, we established a CSR section (www.hkex.com.hk/exchange/csr/csr.htm) on the HKEx website setting out our CSR philosophy, related activities as well as our latest CSR developments.

Employees' full support is essential to the successful implementation of our CSR measures. Thus, a series of CSR workshops were organised for our employees to raise their awareness of CSR and recognise their role in achieving CSR objectives.

The first standalone CSR Report was published for 2008 to highlight some of our CSR achievements during the year. The report is posted on the HKEx website under the CSR section. To help us make improvements, stakeholders are invited to fill in the feedback form on the HKEx website at www.hkex.com.hk/exchange/csr/csr_reporting.htm.

PROSPECTS

In the second quarter of 2009, we saw marked increase in market activity which appears to be driven by better sentiment and ample liquidity rather than improvement in economic fundamentals. The average daily turnover in dollar terms on the Stock Exchange recorded a 60 per cent increase whilst the average daily turnover of derivatives contracts on the Futures Exchange registered an increase of 18 per cent compared to the previous quarter. Fund-raising activities in the second quarter gained momentum with total equity funds raised some 11 times that of the first quarter. IPO activity also rose with 11 listings in the second quarter compared with 7 in the first quarter. On the back of these favourable factors, HKEx recorded a 50 per cent rise in revenue and other income over the first quarter.

Despite the appearance of “green shoots” and continuous loose monetary policies by central banks, the fundamentals of local and indeed global economies remain a concern. Hong Kong’s Gross Domestic Product (“GDP”) registered a sharp year-on-year decline of 7.8 per cent in real terms in the first quarter of 2009. Coupled with heightened unemployment and a sharp plunge in regional trade, the Hong Kong Government has revised its GDP forecast for full-year 2009 downwards to a contraction of 6.5 per cent. Globally, the World Bank predicted in June 2009 that the global recession would further deepen and the world economy would shrink 2.9 per cent against the previous negative forecast of 1.7 per cent. Riding on the bumpy road to recovery, investors are advised to be cautious about potential market volatility.

In spite of market uncertainties, HKEx will continue to build on its solid foundation and seek to consolidate Hong Kong’s position as an international financial centre. For instance, we aim to streamline the listing process without compromising investor protection, and to expand our product and service offerings to position ourselves well for a market recovery. CER futures and options with flexible features are examples of innovative products being considered by HKEx.

We are in the process of preparing our strategic plan for 2010-2012 in these challenging times which we believe will also present opportunities. Whilst we reaffirm our commitment on market quality, our core business and system excellence and our mission to be a leading international marketplace for securities and derivatives focused on the Mainland, Hong Kong and the rest of Asia, we should cast our vision further afield to take advantage of any opportunities that may arise.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Unaudited Six months ended 30 Jun 2009 $'000**	Unaudited Six months ended 30 Jun 2008 $'000	**Unaudited Three months ended 30 Jun 2009 $'000**	Unaudited Three months ended 30 Jun 2008 $'000
Trading fees and trading tariff		**1,216,284**	1,553,482	**720,453**	687,372
Stock Exchange listing fees		**326,774**	355,960	**173,181**	164,848
Clearing and settlement fees		**651,432**	774,860	**394,604**	354,053
Depository, custody and nominee services fees		**319,415**	296,095	**257,429**	231,876
Income from sale of information		**326,501**	354,419	**171,681**	169,358
Other revenue	4	**174,366**	217,923	**89,959**	97,299
REVENUE		**3,014,772**	3,552,739	**1,807,307**	1,704,806
Investment income		**340,565**	662,734	**205,828**	224,623
Interest rebates to Participants		**(2,243)**	(72,783)	**(1,376)**	(2,742)
Net investment income	5	**338,322**	589,951	**204,452**	221,881
Gain on disposal of properties	6	**-**	68,641	**-**	-
	3	**3,353,094**	4,211,331	**2,011,759**	1,926,687
OPERATING EXPENSES					
Staff costs and related expenses		**409,571**	451,986	**226,983**	223,086
Information technology and computer maintenance expenses		**119,769**	121,526	**60,683**	59,943
Premises expenses		**111,924**	69,722	**58,121**	35,762
Product marketing and promotion expenses		**6,335**	9,637	**3,366**	6,077
Legal and professional fees		**7,153**	8,850	**3,262**	5,260
Depreciation		**47,619**	49,938	**22,776**	26,275
Other operating expenses	7	**57,647**	57,284	**30,420**	29,981
	3	**760,018**	768,943	**405,611**	386,384
PROFIT BEFORE TAXATION	3	**2,593,076**	3,442,388	**1,606,148**	1,540,303
TAXATION	8	**(392,191)**	(467,982)	**(239,502)**	(215,638)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**2,200,885**	2,974,406	**1,366,646**	1,324,665
Basic earnings per share	10(a)	**$2.05**	$2.78	**$1.27**	$1.24
Diluted earnings per share	10(b)	**$2.04**	$2.76	**$1.27**	$1.23

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	**Unaudited Three months ended 30 Jun 2009 $'000**	Unaudited Three months ended 30 Jun 2008 $'000
Profit attributable to shareholders	**2,200,885**	2,974,406	**1,366,646**	1,324,665
Other comprehensive income:				
Available-for-sale financial assets:				
Change in fair value during the period	**(32,154)**	5,553	**14,779**	(51,268)
Change in fair value on maturity	**(49,018)**	(41,350)	**(33,989)**	(26,195)
Less: Reclassification adjustment:				
Gains included in profit or loss on disposal	**(2,520)**	(4,678)	**(2,520)**	-
Deferred tax	**13,808**	6,860	**3,585**	12,688
Other comprehensive income attributable to shareholders, net of tax	**(69,884)**	(33,615)	**(18,145)**	(64,775)
Total comprehensive income attributable to shareholders	**2,131,001**	2,940,791	**1,348,501**	1,259,890

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited at 30 Jun 2009 $'000**	Audited at 31 Dec 2008 $'000
NON-CURRENT ASSETS			
Fixed assets		**281,785**	311,179
Lease premium for land		**59,944**	60,199
Financial assets of Clearing House Funds		**233,730**	-
Financial assets of Margin Funds on derivatives contracts		**3,325,803**	-
Available-for-sale financial assets		**943,125**	-
Time deposits with maturity over one year		**287,797**	-
Deferred tax assets		**4,417**	4,429
Other financial assets		**48,477**	47,172
Other assets		**3,207**	3,207
		5,188,285	426,186
CURRENT ASSETS			
Accounts receivable, prepayments and deposits	11	**6,109,181**	8,526,557
Lease premium for land		**509**	509
Financial assets of Clearing House Funds		**179,674**	393,202
Cash and cash equivalents of Clearing House Funds		**846,404**	843,109
		1,026,078	1,236,311
Financial assets of Margin Funds on derivatives contracts		**11,434,504**	19,655,161
Cash and cash equivalents of Margin Funds on derivatives contracts		**7,064,934**	22,184,833
		18,499,438	41,839,994
Financial assets at fair value through profit or loss		**3,545,296**	3,020,035
Available-for-sale financial assets		**1,228,228**	2,581,683
Time deposits with original maturities over three months		**619,365**	436,896
Cash and cash equivalents		**5,138,451**	4,755,750
		36,166,546	62,397,735
CURRENT LIABILITIES			
Participants' contributions to Clearing House Funds		**247,843**	197,520
Other financial liabilities of Clearing House Funds		**28,241**	72,319
Margin deposits from Clearing Participants on derivatives contracts		**21,825,241**	41,839,991
Other financial liabilities of Margin Funds on derivatives contracts		**-**	3
Accounts payable, accruals and other liabilities	12	**10,719,159**	12,410,854
Financial liabilities at fair value through profit or loss		**50,154**	26,254
Participants' admission fees received		**81,900**	83,150
Deferred revenue		**217,764**	392,688
Taxation payable		**294,072**	141,363
Provisions		**35,167**	36,290
		33,499,541	55,200,432
NET CURRENT ASSETS		**2,667,005**	7,197,303
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,855,290**	7,623,489

	Note	**Unaudited at 30 Jun 2009 $'000**	Audited at 31 Dec 2008 $'000
NON-CURRENT LIABILITIES			
Participants' contributions to Clearing House Funds		**268,500**	252,000
Deferred tax liabilities		**22,861**	30,775
Financial guarantee contract		**19,909**	19,909
Provisions		**25,842**	25,483
		337,112	328,167
NET ASSETS		**7,518,178**	7,295,322
CAPITAL AND RESERVES			
Share capital		**1,075,939**	1,074,886
Share premium		**370,050**	346,902
Shares held for Share Award Scheme		**(71,097)**	(65,254)
Employee share-based compensation reserve		**52,539**	47,032
Revaluation reserve		**26,797**	96,681
Designated reserves		**557,389**	552,383
Retained earnings	13	**5,506,561**	5,242,692
SHAREHOLDERS' FUNDS		**7,518,178**	7,295,322
TOTAL ASSETS		**41,354,831**	62,823,921
TOTAL LIABILITIES		**33,836,653**	55,528,599
SHAREHOLDERS' FUNDS PER SHARE		**$6.99**	$6.79

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated accounts should be read in conjunction with the 2008 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 2008.

2. Turnover

The Group's turnover comprises trading fees and trading tariff from securities and options traded on the Stock Exchange and derivatives contracts traded on the Futures Exchange, Stock Exchange listing fees, clearing and settlement fees, depository, custody and nominee services fees, income from sale of information, net investment income (including investment income net of interest rebates to Participants of Clearing House Funds) and other revenue.

3. Operating Segments

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

The Group has 4 reportable segments. The segments are managed separately as each business offers different products and services and requires different information technology systems and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

The **Cash Market** business mainly refers to the operations of the Stock Exchange, which covers all products traded on the Cash Market platforms, such as equities, debt securities, unit trusts, CBBCs, ETFs, warrants and rights. Currently, the Group operates 2 Cash Market platforms, the Main Board and GEM. The major sources of income of the business are trading fees, trading tariff and listing fees. Results of the Listing Function are included in the Cash Market.

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

The **Clearing Business** refers to the operations of the 3 clearing houses, namely HKSCC, The SEHK Options Clearing House Limited and HKFE Clearing Corporation Limited, which are responsible for clearing, settlement and custodian activities of the Cash and Derivatives Markets operated by the Group. Its income is derived primarily from net investment income earned on the Clearing House Funds and fees from providing clearing, settlement, depository, custody and nominee services.

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

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

	Unaudited Six months ended 30 Jun 2009					
	Cash Market $'000	**Derivatives Market $'000**	**Clearing Business $'000**	**Information Services $'000**	**Inter-segment elimination (note b) $'000**	**Group $'000**
Income from external customers	**1,292,321**	**361,556**	**1,034,170**	**326,725**	**-**	**3,014,772**
Net investment income	**63,728**	**197,581**	**82,233**	**355**	**(5,575)**	**338,322**
	1,356,049	**559,137**	**1,116,403**	**327,080**	**(5,575)**	**3,353,094**
Operating expenses						
Direct costs	**304,987**	**82,720**	**170,622**	**25,180**	**(5,575)**	**577,934**
Indirect costs	**85,356**	**27,588**	**56,473**	**12,667**	**-**	**182,084**
	390,343	**110,308**	**227,095**	**37,847**	**(5,575)**	**760,018**
Reportable segment profit before taxation	**965,706**	**448,829**	**889,308**	**289,233**	**-**	**2,593,076**

	Unaudited Six months ended 30 Jun 2008				
	Cash Market $'000	Derivatives Market $'000	Clearing Business $'000	Information Services $'000	Group $'000
Income from external customers	1,722,951	339,116	1,134,932	355,740	3,552,739
Net investment income	53,980	506,428	29,373	170	589,951
Gain on disposal of properties	33,442	11,580	19,116	4,503	68,641
	1,810,373	857,124	1,183,421	360,413	4,211,331
Operating expenses					
Direct costs	295,588	71,913	180,369	26,728	574,598
Indirect costs	92,968	30,627	58,340	12,410	194,345
	388,556	102,540	238,709	39,138	768,943
Reportable segment profit before taxation	1,421,817	754,584	944,712	321,275	3,442,388

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

(b) The elimination adjustment represents the inter-segment interest charge from the Corporate Centre to the Clearing Business segment for funding the closing-out of market contracts of the defaulting Participant, LBSA. There were no inter-segment sales and charges during the six-month period ended 30 June 2008.

4. Other Revenue

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	**Unaudited Three months ended 30 Jun 2009 $'000**	Unaudited Three months ended 30 Jun 2008 $'000
Network, terminal user, dataline and software sub-license fees	**130,089**	159,820	**67,556**	69,969
Participants' subscription and application fees	**17,540**	17,129	**8,761**	8,601
Brokerage on direct IPO allotments	**928**	4,577	**723**	843
Trading booth user fees	**7,419**	4,777	**3,838**	2,380
Accommodation income on securities deposited by Participants as alternatives to cash deposits of Margin Funds	**2,704**	15,216	**1,180**	6,300
Sales of Trading Rights	**7,500**	6,835	**4,000**	3,835
Miscellaneous revenue	**8,186**	9,569	**3,901**	5,371
	174,366	217,923	**89,959**	97,299

5. Net Investment Income

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	**Unaudited Three months ended 30 Jun 2009 $'000**	Unaudited Three months ended 30 Jun 2008 $'000
Interest income				
- bank deposits	**60,066**	347,424	**31,220**	99,970
- listed available-for-sale financial assets	**5,918**	4,711	**2,780**	2,185
- unlisted available-for-sale financial assets	**150,488**	312,550	**61,919**	123,549
	216,472	664,685	**95,919**	225,704
Interest rebates to Participants	**(2,243)**	(72,783)	**(1,376)**	(2,742)
Net interest income	**214,229**	591,902	**94,543**	222,962
Net realised and unrealised gains/(losses) and interest income on financial assets and financial liabilities at fair value through profit or loss				
On designation				
- unlisted securities with embedded derivatives	**9,134**	-	**9,134**	-
- bank deposits with embedded derivatives	**(482)**	-	**(482)**	-
- exchange differences	**1,547**	-	**1,547**	-
	10,199	-	**10,199**	-
Held for trading				
- listed securities	**84,536**	(28,830)	**71,986**	(3,401)
- unlisted securities	**32,370**	20,154	**23,279**	1,960
- exchange differences	**(3,952)**	1,463	**4,019**	(443)
	112,954	(7,213)	**99,284**	(1,884)
	123,153	(7,213)	**109,483**	(1,884)
Realised gains on disposal of unlisted available-for-sale financial assets	**1,500**	1,460	**1,500**	23
Dividend income from listed financial assets at fair value through profit or loss	**1,215**	2,424	**530**	974
Other exchange differences on loans and receivables	**(1,775)**	1,378	**(1,604)**	(194)
Net investment income	**338,322**	589,951	**204,452**	221,881
Net investment income was derived from:				
Corporate Funds	**147,843**	80,400	**115,074**	32,166
Margin Funds	**185,694**	497,420	**86,862**	184,806
Clearing House Funds	**4,785**	12,131	**2,516**	4,909
	338,322	589,951	**204,452**	221,881

6. Gain on Disposal of Properties

The Group sold an investment property and one of the leasehold properties in the first quarter of 2008, generating a gain of $68,641,000.

7. Other Operating Expenses

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	**Unaudited Three months ended 30 Jun 2009 $'000**	Unaudited Three months ended 30 Jun 2008 $'000
(Reversal of provision for)/provision for impairment losses of trade receivables	**(445)**	317	**(166)**	413
Provision for impairment losses of fixed assets	**800**	-	**800**	-
Insurance	**2,285**	2,347	**1,140**	1,175
Financial data subscription fees	**2,488**	2,157	**1,213**	1,038
Custodian and fund management fees	**5,541**	6,060	**2,726**	2,944
Bank charges	**4,146**	5,487	**2,478**	2,454
Repair and maintenance expenses	**4,657**	4,078	**2,383**	1,906
License fees	**8,381**	7,897	**3,770**	3,062
Communication expenses	**2,511**	2,765	**1,288**	1,669
Other miscellaneous expenses	**27,283**	26,176	**14,788**	15,320
	57,647	57,284	**30,420**	29,981

8. Taxation

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

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	**Unaudited Three months ended 30 Jun 2009 $'000**	Unaudited Three months ended 30 Jun 2008 $'000
Provision for Hong Kong Profits Tax for the period (note a)	**386,321**	470,372	**239,874**	207,259
Overprovision in respect of prior years	**(36)**	-	**(36)**	-
	386,285	470,372	**239,838**	207,259
Deferred taxation	**5,906**	(2,390)	**(336)**	8,379
	392,191	467,982	**239,502**	215,638

(a) Hong Kong Profits Tax has been provided for at 16.5 per cent (2008: 16.5 per cent) on the estimated assessable profit for the period.

9. Dividends

	Unaudited Six months ended 30 Jun 2009 $'000	Unaudited Six months ended 30 Jun 2008 $'000	**Unaudited Three months ended 30 Jun 2009 $'000**	Unaudited Three months ended 30 Jun 2008 $'000
Interim dividend declared of $1.84 (2008: $2.49) per share based on issued share capital as at 30 Jun	**1,979,728**	2,673,381	**1,979,728**	2,673,381
Less: Dividend for shares held for Share Award Scheme as at 30 Jun	**(1,867)**	(3,061)	**(1,867)**	(3,061)
	1,977,861	2,670,320	**1,977,861**	2,670,320

(a) Actual 2008 interim dividend was $2,673,375,000, of which $3,055,000 was paid on shares issued for employee share options exercised after 30 June 2008.

10. 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 2009	Unaudited Six months ended 30 Jun 2008	**Unaudited Three months ended 30 Jun 2009**	Unaudited Three months ended 30 Jun 2008
Profit attributable to shareholders ($'000)	**2,200,885**	2,974,406	**1,366,646**	1,324,665
Weighted average number of shares in issue less shares held for Share Award Scheme	**1,074,345,534**	1,070,922,358	**1,074,745,846**	1,072,060,063
Basic earnings per share	**$2.05**	$2.78	**$1.27**	$1.24

(b) Diluted earnings per share

	Unaudited Six months ended 30 Jun 2009	Unaudited Six months ended 30 Jun 2008	**Unaudited Three months ended 30 Jun 2009**	Unaudited Three months ended 30 Jun 2008
Profit attributable to shareholders ($'000)	**2,200,885**	2,974,406	**1,366,646**	1,324,665
Weighted average number of shares in issue less shares held for Share Award Scheme	**1,074,345,534**	1,070,922,358	**1,074,745,846**	1,072,060,063
Effect of employee share options	**3,339,051**	6,750,785	**3,165,452**	5,630,315
Effect of Awarded Shares	**909,702**	1,140,122	**913,128**	1,161,422
Weighted average number of shares for the purpose of calculating diluted earnings per share	**1,078,594,287**	1,078,813,265	**1,078,824,426**	1,078,851,800
Diluted earnings per share	**$2.04**	$2.76	**$1.27**	$1.23

11. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's Continuous Net Settlement ("CNS") money obligations receivable under the T+2 settlement cycle, which accounted for 89 per cent (31 December 2008: 93 per cent) of the total accounts receivable, prepayments and deposits. CNS money obligations receivable mature within 2 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 3 months.

12. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's CNS money obligations payable under the T+2 settlement cycle, which accounted for 51 per cent (31 December 2008: 64 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations mature within 2 days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within 3 months.

13. Retained Earnings (Including Proposed Dividend)

	Unaudited 2009 $'000	Audited 2008 $'000
At 1 Jan	**5,242,692**	6,288,138
Profit for the period/year (note a)	**2,200,885**	5,128,924
Transfer (to)/from Clearing House Funds reserves	**(5,006)**	142,470
Transfer from leasehold buildings revaluation reserve on disposal of a leasehold property	**-**	3,155
	(5,006)	145,625
Dividends:		
2008/2007 final dividend	**(1,932,993)**	(3,634,850)
Dividend on shares issued for employee share options exercised after 31 Dec 2008/31 Dec 2007	**(1,715)**	(11,309)
	(1,934,708)	(3,646,159)
2008 interim dividend	**-**	(2,670,320)
Dividend on shares issued for employee share options exercised after 30 Jun 2008	**-**	(3,055)
	-	(2,673,375)
Unclaimed dividends forfeited	**2,761**	2,566
Vesting of shares of Share Award Scheme	**(63)**	(3,027)
At 30 Jun 2009/31 Dec 2008	**5,506,561**	5,242,692
Representing:		
Retained earnings	**3,528,700**	3,309,601
Proposed dividend	**1,977,861**	1,933,091
At 30 Jun 2009/31 Dec 2008	**5,506,561**	5,242,692

(a) The Group's profit for the period included a surplus attributable to the net investment income net of expenses and reversal of provision for closing-out losses of the Clearing House Funds of $5,006,000 (year ended 31 December 2008: net deficit attributable to the net investment income net of expenses less provision for closing-out losses of the Clearing House Funds of $142,470,000).

REVIEW OF ACCOUNTS

Disclosure of financial information in this announcement complies with Appendix 16 to 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 2009 in conjunction with HKEx's external and internal auditors.

INTERIM DIVIDEND

The Board has declared an interim dividend of $1.84 per share (2008: $2.49 per share) for the year ending 31 December 2009, amounting to a total of about $1,980 million (2008: $2,676 million) which includes $1,867,000 (2008: $3,061,000) for shares held in trust under the Share Award Scheme. The following are the relevant dates for the dividend payment.

Ex-dividend date	26 August 2009
Book closure period	28 August – 1 September 2009 (both dates inclusive)
Record date	1 September 2009
Payment date	on or about 9 September 2009

CLOSURE OF REGISTER OF MEMBERS ("ROM")

In order 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, 27 August 2009. During the book closure period, no transfer of shares will be registered. Dividend warrants will be despatched on or about Wednesday, 9 September 2009 to Shareholders whose names are on HKEx's ROM on 1 September 2009.

PURCHASE, SALE OR REDEMPTION OF HKEx'S LISTED SECURITIES

During the six months ended 30 June 2009, 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 76,900 HKEx shares at a total consideration of about $6.7 million.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The results announcement is published on the HKExnews website at www.hkexnews.hk and the HKEx website at www.hkex.com.hk/relation/results/ResultsAnn.htm. The 2009 Interim Report will be available on the HKExnews and HKEx websites and despatched to Shareholders on or about Thursday, 27 August 2009.

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 CHAN Tze Ching, Ignatius, Dr CHENG Mo Chi, Moses, Dr CHEUNG Kin Tung, Marvin, Mr HUI Chiu Chung, Stephen, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mr LEE Tze Hau, Michael, Mr STRICKLAND, John Estmond, Mr WILLIAMSON, John Mackay McCulloch 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
ARCULLI, Ronald Joseph
Chairman

Hong Kong, 12 August 2009