



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 the Hong Kong dollar (“HKD”))

2008 FIRST QUARTER 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 three months ended 31 March 2008 as follows:

FINANCIAL HIGHLIGHTS

	Three months ended 31 Mar 2008	Three months ended 31 Mar 2007	Change
KEY MARKET STATISTICS			
Average daily turnover value on the Stock Exchange	\$98.7 billion	\$52.9 billion	87%
Average daily number of derivatives contracts traded on the Futures Exchange	205,853	144,216	43%
Average daily number of stock options contracts traded on the Stock Exchange	266,199	124,662	114%
	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000	Change
RESULTS			
Income	2,284,644	1,398,939	63%
Operating expenses	382,559	322,643	19%
Operating profit	1,902,085	1,076,296	77%
Share of profit of an associate	-	5,587	(100%)
Profit before taxation	1,902,085	1,081,883	76%
Taxation	(252,344)	(159,346)	58%
Profit attributable to shareholders	1,649,741	922,537	79%
Basic earnings per share	\$1.54	\$0.87	77%
Diluted earnings per share	\$1.53	\$0.86	78%
	Unaudited at 31 Mar 2008	Audited at 31 Dec 2007	Change
KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Shareholders' funds (\$'000)	10,058,035	8,377,348	20%
Total assets* (\$'000)	96,143,823	87,944,189	9%
Net assets per share [#]	\$9.40	\$7.83	20%

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

[#] Based on 1,070,093,214 shares as at 31 March 2008, being 1,071,304,846 shares issued and fully paid less 1,211,632 shares held for the Share Award Scheme (31 December 2007: 1,069,228,714 shares, being 1,070,285,346 shares issued and fully paid less 1,056,632 shares held for the Share Award Scheme)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing

Implementation of Electronic Disclosure Project

With the successful implementation of the electronic disclosure regime since June 2007, The Stock Exchange of Hong Kong Limited (“Exchange” or “Stock Exchange” or “SEHK”) announced on 1 February 2008 transitional arrangements that allow issuers to publish all types of announcements, not only financial results announcements, during the lunchtime publication window between 12:30pm and 2:00pm. Furthermore, effective 10 March 2008, an issuer’s securities would not be subject to suspension if that issuer publishes an announcement containing price sensitive information between 6:00am and 9:00am or during the lunchtime publication window.

To strengthen Hong Kong’s market infrastructure for issuers’ disclosure, SEHK launched HKExnews (www.hkexnews.hk), a bilingual website designated for issuers’ regulatory filings, on 4 February 2008. The website is a one-stop platform for electronic disclosure of issuers’ information and is also a central issuer document archive that allows the investing public to access issuers’ information in a more convenient and timely manner.

Web Proof Information Pack (“WPIP”)

On 1 January 2008, SEHK launched a pilot scheme for posting a WPIP on the HKEx website prior to the issue of an initial public offering (“IPO”) prospectus. No major defects were identified during the operation of the pilot scheme which ended on 31 March 2008. Upon completion of a review of the effectiveness of the pilot scheme, the requirement to post a WPIP is expected to be codified in 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”) this year.

2008 Combined Consultation Paper

SEHK published a 2008 Combined Consultation Paper on 11 January 2008 to seek the market’s comments on 18 substantive policy and corporate governance issues, issues pertaining to initial listing criteria and proposed amendments to the Listing Rules. The consultation ended on 7 April 2008 with 100 submissions. The Exchange is in the process of analysing the submissions and will publish the consultation conclusions in due course.

Report on Implementation of Code on Corporate Governance Practices (“CG Code”) set out in the Listing Rules

On 29 February 2008, SEHK published a report on the findings from its second annual review of listed issuers’ corporate governance practices. The review revealed that listed issuers have been continuing to improve their corporate governance practices by not only choosing to comply with the CG Code’s code provisions, but also commonly adopting many of the recommended best practices. The Exchange will conduct a review of the CG Code to identify areas for enhancement during the year.

Joint Consultation Paper on Issue of Paper Application Forms with Electronic Prospectuses

On 1 April 2008, the Securities and Futures Commission (“SFC”) and SEHK published a joint consultation paper on a proposal to allow the issue of paper application forms for public offers which have electronic prospectuses available on certain prescribed websites. The proposal allows distribution of paper application forms for public offers at receiving banks, without enclosing hard-copy prospectuses if electronic prospectuses are available online and other requirements aimed at investor protection are being met. The consultation will end on 30 May 2008.

The Growth Enterprise Market (“GEM”) Review

Following a detailed analysis of the submissions received from the GEM revamp consultation, the Exchange, in consultation with the SFC, has taken the view that the appropriate way forward is to reposition GEM as a second board and as a stepping stone to the Main Board. Certain new rules will be introduced to reflect the new role of the market but GEM will largely retain its existing structure. The Exchange published the consultation conclusions of the Review on 2 May 2008. Substantially all the proposals outlined in the consultation paper issued in July 2007 - in a small number of cases, with modifications - will be implemented.

Introduction of Depositary Receipts

In order to facilitate listing of overseas companies, on 9 May 2008, SEHK announced details of amendments to the Main Board Listing Rules to permit the use of depositary receipts by listing applicants as a mechanism for listing on the Exchange within the existing Listing Rules framework.

Consultation on Periodic Financial Reporting

SEHK published a consultation paper on 31 August 2007 regarding proposed amendments to the Listing Rules in relation to periodic financial reporting. The market’s responses are posted on the HKEx website. The Exchange is studying respondents’ comments and aims to publish the consultation conclusions in the second quarter of this year.

Issuer Marketing

In the first quarter of 2008, HKEx extended its marketing efforts to Ukraine, as well as San Francisco, Palo Alto and other locations in Silicon Valley in the US through participation in conferences organised by international and/or local market intermediaries.

Our staff has also participated in over 50 meetings with potential listing applicants, intermediaries and government bodies to discuss Hong Kong listings as well as the development of Hong Kong’s securities market.

Beijing Representative Office**Promotional Activities in the Mainland**

As part of our efforts to improve cooperation and coordination with the Mainland authorities, our Chairman visited the senior government officials of the Hebei Provincial Government in Shijiazhuang in February 2008. A roundtable meeting was also organised to promote listing in Hong Kong.

In the first quarter of 2008, our staff visited more than 10 cities in the Mainland, and gave presentations on the Hong Kong securities market and listing requirements to over 1,000 attendees.

Cash Market

Market Performance

In the first quarter of 2008, 10 companies were newly listed on the Main Board (none on GEM). Three companies were delisted from the Main Board and four from GEM (including three transferred to the Main Board). Total capital raised, including post-listing funds, reached \$73.5 billion. As at 31 March 2008, 1,055 and 189 companies were listed on the Main Board (including two secondary listings) and GEM respectively with a total market capitalisation of about \$16,937.9 billion.

In addition, there were 214 Callable Bull/Bear Contracts (“CBBCs”), 5,000 derivative warrants (“DWs”), 174 debt securities, 17 Exchange Traded Funds and seven Real Estate Investment Trusts listed as at 31 March 2008. Average daily turnover in the first quarter of 2008 was about \$98.4 billion on the Main Board and about \$356 million on GEM.

Amongst the various products, the CBBC market has grown substantially since its launch on 12 June 2006. The average daily turnover has increased from below \$100 million in the first 12 months after the launch of the market to about \$1.4 billion in the first quarter of 2008. Meanwhile, the number of newly listed CBBCs has surged from 29 in the third quarter of 2006 to 323 in the first quarter of 2008.

New Format for CBBC Chinese Short Names

In response to market feedback, the CBBC Chinese short names were modified to provide a better distinction between CBBCs and DWs and determine whether a CBBC is a bull contract or a bear contract effective 13 May 2008.

Market Access Products (“MAPs”)

HKEx has been facilitating the listing of MAPs which are structured products issued on non-Hong Kong-listed underlying assets under the Main Board Listing Rules. MAPs can take the form of zero/low strike or higher strike DW, CBBC and Equity Linked Instrument. MAPs in the form of zero/low strike DW tend to closely track the performance of the underlying asset. MAPs can carry various degrees of leverage or no leverage, and can be of different duration.

As at 31 March 2008, there were 79 listed MAPs, including 51 newly listed since the beginning of January 2008. The total turnover in the first quarter of 2008 amounted to \$623 million. The underlying assets of these MAPs range from regional and international equity indices to foreign currencies, commodities and single overseas-listed stocks. In particular, investors can now trade gold and a wide range of commodities-related structured products. As at 31 March 2008, there were a total of 18 of them, comprising 10 on gold, four on silver, two on platinum, one on oil and one on wheat.

Launch of Five-Digit Stock Codes

With the support of Exchange Participants (“EPs”), Clearing Participants, information vendors and other market users, five-digit stock codes were successfully rolled out on 7 April 2008. More stock codes are now available to support the increasing number of listed securities, and to enable differentiation of the various types of products traded in the Cash Market.

Five-digit stock codes within the range of 10000 to 29999 have been assigned to new issues of DWs listed on or after 7 April 2008, and the range of 30000 to 32499 has been assigned to new issues of CBBCs listed on or after 13 May 2008. HKEx’s stock code allocation plan has been posted on the HKEx website for market participants’ reference.

Introduction of Closing Auction Session

HKEx will introduce a closing auction session in the Cash Market on 26 May 2008 subject to market readiness. The relevant system development and testing and market rehearsals for all EPs and information vendors have been successfully completed. To increase public knowledge of the new arrangement, HKEx will provide the relevant information through briefing sessions, circulars, newspapers and the HKEx website.

Removal of Parallel Trading Arrangement

HKEx announced that, subject to market readiness, the parallel trading arrangement in the Cash Market will be removed on 3 November 2008. After discussing with Exchange and Clearing Participants, custodian banks, share registrars, advisors and issuers, HKEx found that market participants generally supported removing the parallel trading arrangement as it would simplify operations and eliminate the possibility of split liquidity and confusion when the same stock is traded under two different stock codes under the parallel trading arrangement.

Participant Services

In the first quarter of 2008, HKEx organised 11 Continuous Professional Training courses jointly with the Hong Kong Securities Institute, with over 400 attendees.

In the first quarter of 2008, six new SEHK Participants were admitted, including those from Hong Kong, Switzerland and the Mainland. As at 31 March 2008, there were a total of 445 SEHK Participants (excluding 36 non-trading EPs), of which 140 were originated outside of Hong Kong.

Derivatives Market

Market Performance

Some products achieved record highs in the first quarter of 2008, as shown in the following table.

Products	Record High			
	Daily Volume		Open Interest	
	Date	Number of Contracts	Date	Number of Contracts
Hang Seng Index (“HSI”) Futures	26 Feb (25 Sep 07)	204,878 (201,717)	-	-
Mini HSI Futures	24 Jan (22 Jan 08)	63,991 (57,554)	-	-
Hang Seng China Enterprises Index (“H-shares Index”) Futures	26 Mar (29 Jan 08)	179,041 (156,801)	26 Mar (29 Jan 08)	156,841 (156,015)
Stock Options	27 Mar (26 Mar 08)	805,947 (749,867)	-	-
Total Futures and Options	26 Mar (17 Aug 07)	1,180,005 (773,545)	-	-

Note: Previous record highs are shown in brackets

Flexible Position Limits

With effect from 3 January 2008, EPs and their affiliates who demonstrate a relevant business need to facilitate the provision of services to clients may apply to the SFC for position limits that exceed the statutory prescribed limits for HSI Futures and Options and H-shares Index Futures and Options contracts by up to 50 per cent. Subject to SFC’s approval, major players are hence able to hold more positions when necessary.

Enhanced Block Trade Execution Arrangement

Effective 28 April 2008, aggregation of orders on block trades for one side or both sides is allowed upon fulfilment of certain criteria. The new measures are expected to facilitate EPs’ execution of client orders of large sizes.

Introduction of Mini H-shares Index Futures

In response to retail investors’ request for an effective trading and hedging tool that tracks the H-shares market, HKE_x introduced the Mini H-shares Index Futures contract for trading on 31 March 2008. The contract value of the Mini H-shares Index Futures is one-fifth of the contract size of the standard H-shares Index Futures. The mini contracts and the standard contracts are fungible, ie the positions and margin requirements could be netted between the two types of contracts. Up to the end of April 2008, the average daily turnover of Mini H-shares Index Futures was 1,263 contracts.

Launch of Cash-settled Gold Futures

Subject to SFC’s approval and market readiness, a cash-settled gold futures contract will be launched in the second half of 2008. The product will have a contract size of 100 troy ounces and will be traded in the US dollar. It will be traded from 8:30am to 12:00 noon and 1:30pm to 5:00pm on trading days in Hong Kong. The final cash settlement will be based on the fixing

determined by the London Gold Market Fixing Limited and published by the London Bullion Market Association on the last trading day. Liquidity providers will be available to provide two-way quotes.

Participant Services

In the first quarter of 2008, HKEx and 12 EPs organised a joint promotion programme for Mainland equity-related futures and options to improve retail investors' understanding of the products. The programme included a series of weekly radio interviews and a large investment exhibition at the Hong Kong Convention and Exhibition Centre. More than 2,600 people attended the exhibition which featured two public seminars and 12 workshops, as well as EP exhibition booths.

Before the launch of the Mini H-shares Index Futures, HKEx organised briefing sessions for EPs to facilitate their promotion of the new product to their clients. To further reach out to retail investors, HKEx also sponsored prizes for online simulation games on the product organised by EPs.

There were five new Hong Kong Futures Exchange Limited ("HKFE" or "Futures Exchange") Participants admitted in the first quarter of 2008, of which two were from the Mainland under the Closer Economic Partnership Arrangement III (CEPA III). As at 31 March 2008, there were a total of 143 HKFE Participants.

Clearing

Stock Withdrawal Fee Concession

Effective 14 January 2008, the Central Clearing and Settlement System ("CCASS") Participants may apply for a stock withdrawal fee concession if the shares to be withdrawn were previously deposited into the CCASS Depository in a jumbo certificate by the same CCASS Participant and on behalf of the same underlying client, or if the withdrawal is for the purpose of making a requisition to convene a special general meeting. For each successful application, the normal stock withdrawal fee of \$3.5 per board lot will be reduced to a single flat fee of \$1,000 per application plus out-of-pocket scrip fee of \$2.5 per certificate payable to the share registrar for re-registration of the deposited shares.

CCASS Service Enhancements

Since 28 April 2008, the number of Stock Segregated Accounts used by CCASS Clearing and Custodian Participants for internal control and reconciliation purposes has been increased from nine to 15, and the use of digital certificate by listed issuers for downloading Participant Shareholding Reports has been replaced by user IDs and passwords.

Increased CCASS Shareholding Transparency

HKEx has introduced a new CCASS Shareholding Disclosure service to the public since 28 April 2008. The shareholding information of CCASS Participants (other than those non-consenting Investor Participants ("IPs")) in Hong Kong-listed companies kept by Hong Kong Securities Clearing Company Limited ("HKSCC") is made available free of charge to the public via the HKExnews website. The shareholding of those IPs who have not consented to such disclosure will be shown in aggregate.

Lowering In-The-Money (“ITM”) Triggering Percentage for Automatic Generation of Stock Options Exercise Requests

On an expiry day of stock options, the Derivatives Clearing and Settlement System (“DCASS”) will automatically generate for The SEHK Options Clearing House Limited (“SEOCH”) Participants exercise requests in respect of each open long spot month contract which is ITM by or above the prescribed percentage (“ITM Triggering Percentage”). The ITM Triggering Percentage was lowered from 3 per cent to 1.5 per cent effective 30 January 2008, the first expiry day of stock options in 2008. As a result, more open long spot month contracts could be exercised automatically, thereby reducing the operational workload of SEOCH Participants.

Risk Management

Risk Management Measures

HKEx has reviewed the holiday margin arrangements of the two derivatives clearing houses. The new arrangements, which will simplify the triggering condition for margin increase and refine the existing calculation by adopting a more precise methodology to determine holiday margin levels, are expected to be implemented in the second half of 2008.

After considering comments from CCASS Participants, HKSCC expanded the scope of buy-in exemption grounds and capped the default fee at \$100,000 for each short position effective 23 January 2008. Unless the prescribed buy-in exemption grounds are met, Exchange trades which are not settled on T+2 will be subject to buy-in and default fee.

Default of Participants

On 3 April 2003, HKSCC declared Tai Wah Securities Limited (“TW”) a defaulter. TW is currently in liquidation. 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.

On 2 October 2003, HKFE suspended participantship of Yicko Futures Limited (“YF”) for its failure to meet its obligation to HKFE Clearing Corporation Limited (“HKCC”). YF is currently in liquidation. Recovery from the HKCC Reserve Fund will be made if the outstanding balance of about \$7.8 million cannot be fully settled upon completion of the liquidation process.

On 31 August 2007, HKSCC declared Man Lung Hong Securities Limited (“MLH”) a defaulter and closed out its unsettled positions in CCASS following the issuance of a restriction notice by the SFC. The High Court has appointed administrators for MLH. HKSCC will proceed to recover the balance of the closing-out losses of about \$178,000.

Information Services

Review of Vendor Licensing Procedures and Requirements

To maintain an orderly, informed and fair market, HKEx attaches great importance to making sure that its information vendors are capable of providing quality information services to investors. To this end, HKEx recently reviewed its requirements for real-time information vendors and strengthened them in three aspects, namely (i) technical requirements; (ii) market transparency in respect of available services to end users; and (iii) financial requirement.

First, the technical requirements for direct connection Market Datafeed System (“MDF”) vendors were tightened to ensure that their systems are capable of properly receiving our market data. Similar technical requirements are also being developed for HKE_x’s other market data services, including Price Reporting System (“PRS”) for derivatives market data and Issuer Information Feed System for the regulatory disclosures of issuers.

Second, information vendors are required to provide their customers with the detailed technical requirements for their information services. HKE_x will add a list of all approved real-time services offered by information vendors and their key features on the HKE_x website for public reference before the third quarter of 2008.

Third, HKE_x’s application procedures for real-time information vendors have been tightened and formalised to improve efficiency and to increase the predictability of the process. HKE_x endeavours to inform a potential licensee of its application result no more than four weeks after it has submitted a properly completed licence application form and paid the applicable deposit. The minimum paid-up capital requirement has been increased from \$5 million to \$7.5 million for vendor applicants which are non-EPs.

The new requirements and vendor application procedures were published at the end of March 2008 and took immediate effect. A grace period until September 2008 has been allowed for existing real-time data vendors.

Order and Trade File Service (“OTFS”)

Effective 1 February 2008, the OTFS was carried out for two EP subscribers, providing each of them with its own orders, all trade tickers reported by the Automatic Order Matching and Execution System/Third Generation (“AMS/3”) as well as the best bid/ask prices for each stock at the end of each trading day. The OTFS will facilitate EPs to analyse their trading activities and perform in-house risk management and compliance functions. Further promotion of the OTFS to our EPs will be made during the year.

Information Technology

Production Systems Stability and Reliability

All major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets operated by HKE_x continued to maintain 100 per cent operational system uptime. HKE_x will continue its efforts to uphold system stability and reliability.

System Capacity Planning and Upgrade

The AMS/3 and MDF capacity and technology upgrades were successfully completed on 28 January 2008. The Latest Generation of Central Clearing and Settlement System (CCASS/3) and Securities Markets Automated Research Training and Surveillance (SMARTS) were also upgraded on 25 March 2008 and 31 March 2008 respectively for alignment of processing capacity. As a result, HKE_x’s Cash Market infrastructure is now capable of supporting five million trades per day, up from 1.5 million trades per day before upgrade.

The MDF was also enhanced in March 2008 to increase the number of linked securities from 200 to 500. The “linked securities” function enables information vendors to identify securities such as DWs of the same underlying stocks so that related market data could be put together for their clients’ ease of reference.

To cope with the rapid rise in the number of stock counters and the corresponding growth in data traffic for stock price updates, HKE_x will expand the network bandwidth of EP circuits to support the increase of the update rate from 300 stocks per second to 500. Preparation work is in progress and the new data dissemination rate is expected to be effective in mid-2008.

After the review of the system capacity for the Derivatives Market, HKE_x has commenced increasing the capacity of DCASS and PRS to cope with planned business initiatives and projected increase in business volume. Upon completion, DCASS and PRS will be able to handle two million trades per day and 2,200 messages per second respectively by mid-2008.

Obsolete Technology Replacement and Upgrade

On 3 March 2008, the Hong Kong Futures Automated Trading System (“HKATS”) and DCASS were upgraded to Release 19.1 to offer new functional and technical features, such as new access controls, enhanced trade give-ups and improved report distributions, for the further development of the Derivatives Market. The upgraded software also enables HKE_x to achieve alignment with the product roadmap of its supplier for the HKATS and DCASS software to secure its quality support, and thereby safeguarding the reliability and stability of critical applications.

HKE_x Corporate Website Revamp

HKE_x published a Request for Proposal on 21 April 2008 to seek a qualified consultant to provide consultancy service for the revamp of the HKE_x corporate website. The appointed consultant would be responsible for reviewing the HKE_x website, making recommendations for improvements and implementing the recommendations approved by HKE_x. HKE_x aims to benchmark its website with local and international best practices and deliver a revamped website comparable to the best of its peers.

Treasury

The Group’s funds available for investment comprise Corporate Funds, Margin Funds and Clearing House Funds, totalling \$82.5 billion on average for the three months ended 31 March 2008 (31 March 2007: \$36.2 billion).

As compared with 31 December 2007, the overall size of funds available for investment as at 31 March 2008 increased by 10 per cent or \$7.1 billion to \$76.2 billion (31 December 2007: \$69.1 billion). Details of the asset allocation of the investments as at 31 March 2008 against those as at 31 December 2007 are set out below.

	Investment Fund Size \$ billion		Bonds		Cash or Bank Deposits		Global Equities	
	Mar 2008	Dec 2007	Mar 2008	Dec 2007	Mar 2008	Dec 2007	Mar 2008	Dec 2007
Corporate Funds	12.8	11.5	45%	50%	53%	47%	2%	3%
Margin Funds	61.7	55.4	30%	30%	70%	70%	0%	0%
Clearing House Funds	1.7	2.2	24%	16%	76%	84%	0%	0%
Total	76.2	69.1	33%	33%	67%	66%	0%	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 (\$0.2 billion as at 31 March 2008 and \$0.3 billion as at 31 December 2007), which have no maturity date, the maturity profiles of the remaining investments as at 31 March 2008 (\$76.0 billion) and 31 December 2007 (\$68.8 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	
	Mar 2008	Dec 2007	Mar 2008	Dec 2007	Mar 2008	Dec 2007	Mar 2008	Dec 2007	Mar 2008	Dec 2007	Mar 2008	Dec 2007
Corporate Funds	12.6	11.2	25%	33%	38%	13%	20%	36%	12%	12%	5%	6%
Margin Funds	61.7	55.4	59%	41%	10%	26%	30%	32%	1%	1%	0%	0%
Clearing House Funds	1.7	2.2	70%	84%	14%	0%	16%	16%	0%	0%	0%	0%
Total	76.0	68.8	54%	41%	15%	23%	28%	32%	2%	3%	1%	1%

Credit exposure is well diversified. The Group's bond portfolio held is of investment grade and, as at 31 March 2008, had a weighted average credit rating of Aa1 (31 December 2007: Aa1) and a weighted average maturity of 0.6 year (31 December 2007: 0.6 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 first quarter of 2008 and the fourth quarter of 2007 was as follows:

	Average VaR \$ million		Highest VaR \$ million		Lowest VaR \$ million	
	Jan-Mar 2008	Oct-Dec 2007	Jan-Mar 2008	Oct-Dec 2007	Jan-Mar 2008	Oct-Dec 2007
Corporate Funds	17.7	14.0	19.2	19.1	15.2	11.3
Margin Funds	26.5	19.2	31.3	25.7	20.4	11.7
Clearing House Funds	0.4	0.5	0.4	0.6	0.3	0.4

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

FINANCIAL REVIEW

Overall Performance

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000
RESULTS		
Income:		
Income affected by market turnover	1,351,136	826,659
Stock Exchange listing fees	191,112	143,401
Income from sale of information	185,061	127,612
Net investment income	368,070	223,143
Gain on disposal of properties	68,641	-
Other income	120,624	78,124
	2,284,644	1,398,939
Operating expenses	382,559	322,643
Operating profit	1,902,085	1,076,296
Share of profit of an associate	-	5,587
Profit before taxation	1,902,085	1,081,883
Taxation	(252,344)	(159,346)
Profit attributable to shareholders	1,649,741	922,537

The Group recorded a profit attributable to shareholders of \$1,650 million in the first quarter of 2008 compared with \$923 million for the same period in 2007.

The rise in profit in the first quarter of 2008 was primarily attributable to higher turnover-related income resulting from the increase in activities in the Cash and Derivatives Markets, and growth in net investment income from higher net interest income in 2008. Moreover, the Group disposed of two properties during the first quarter of 2008 and generated a gain of \$69 million.

Total operating expenses increased by 19 per cent during the period mainly due to higher staff costs and information technology and computer maintenance expenses.

Income

(A) Income affected by market turnover

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000	Change
Trading fees and trading tariff	866,110	504,413	72%
Clearing and settlement fees	420,807	261,504	61%
Depository, custody and nominee services fees	64,219	60,742	6%
Total	1,351,136	826,659	63%

The increase in trading fees and trading tariff was mainly due to the higher market turnover in the Cash and Derivatives Markets in the first quarter of 2008 against that in the corresponding period last year.

Clearing and settlement fees are derived predominantly from Cash Market transactions. The increase in clearing and settlement fees in 2008 was mainly due to the higher market turnover in the Cash Market. Despite being mostly ad valorem fees, clearing and settlement fees are subject to a minimum and a maximum fee per transaction and may not always move exactly with changes in the Cash Market turnover. Clearing and settlement fees did not increase linearly with Cash Market turnover as a higher proportion of the value of transactions was subject to the maximum fee and a lower proportion of the value of transactions was subject to the minimum fee in 2008.

Depository, custody and nominee services fees increased mainly due to higher corporate action fees, stock custody fees and stock withdrawal fees which were partly offset by the decrease in scrip fees and electronic-IPO handling charges. The fees are influenced by the level of Cash Market activities but do not move proportionately with changes in Cash Market turnover as they vary mostly with the number of board lots in the system 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 from one book closing date to the next, and thus are unusually large on the first book closing date after a new listing.

Key market indicators

	Three months ended 31 Mar 2008	Three months ended 31 Mar 2007	Change
Average daily turnover value on the Stock Exchange	\$98.7 billion	\$52.9 billion	87%
Average daily number of derivatives contracts traded on the Futures Exchange	205,853	144,216	43%
Average daily number of stock options contracts traded on the Stock Exchange	266,199	124,662	114%

(B) Stock Exchange listing fees

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000	Change
Annual listing fees	84,046	72,416	16%
Initial and subsequent issue listing fees	105,779	69,586	52%
Others	1,287	1,399	(8%)
Total	191,112	143,401	33%

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 DWs.

Key drivers for annual listing fees

	As at 31 Mar 2008	As at 31 Mar 2007	Change
Number of companies listed on Main Board	1,055	983	7%
Number of companies listed on GEM	189	197	(4%)
Total	1,244	1,180	5%

Key drivers for initial and subsequent issue listing fees

	Three months ended 31 Mar 2008	Three months ended 31 Mar 2007	Change
Number of newly listed DWs	1,719	1,107	55%
Number of newly listed companies on Main Board	10	13	(23%)
Total equity funds raised on Main Board	\$71.7 billion	\$51.0 billion	41%
Total equity funds raised on GEM	\$1.8 billion	\$1.7 billion	6%

(C) Income from sale of information

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000	Change
Income from sale of information	185,061	127,612	45%

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

(D) Net investment income

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000	Change
Gross investment income	438,111	370,299	18%
Interest expenses	(70,041)	(147,156)	(52%)
Net investment income	368,070	223,143	65%

The average amount of funds available for investment is set out below:

	Three months ended 31 Mar 2008 \$ billion	Three months ended 31 Mar 2007 \$ billion	Change
Corporate Funds	10.3	6.0	72%
Margin Funds	70.3	28.0	151%
Clearing House Funds	1.9	2.2	(14%)
Total	82.5	36.2	128%

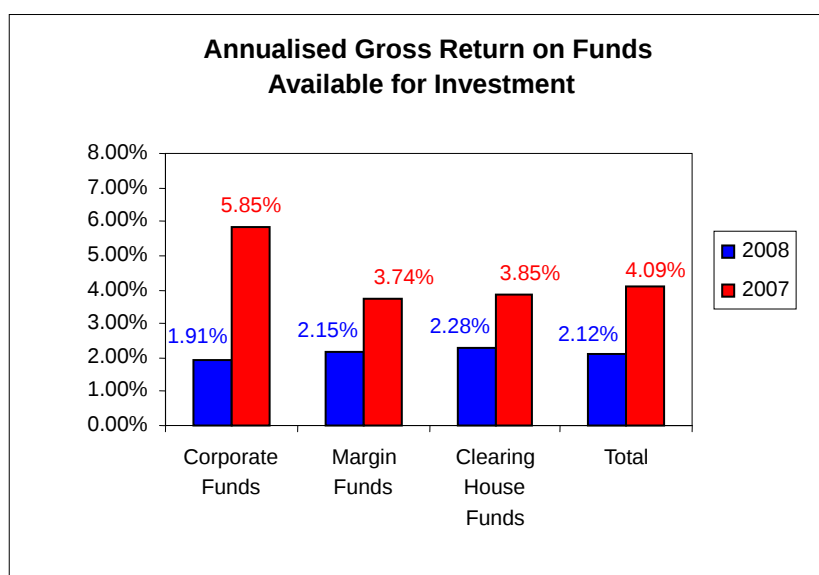
The increase in average amount of Corporate Funds during the period was mainly due to the profit net of dividends paid.

The significant rise in average amount of Margin Funds available for investment during the period was primarily due to increased open interest in futures and options contracts and the higher margin rate required per contract.

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

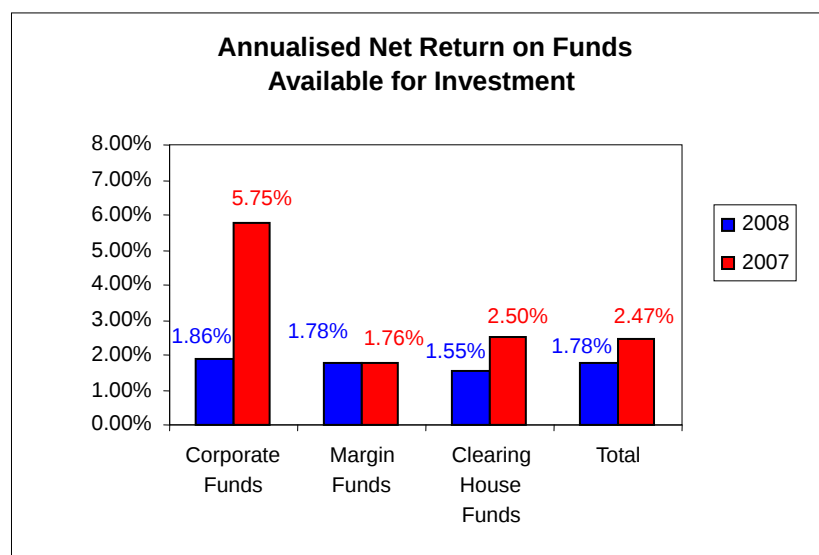
The higher investment income was primarily due to the significant increase in net interest income of Corporate Funds and Margin Funds arising from an increase in fund size during the first quarter of 2008 as compared with that of the corresponding period in 2007, but was partly offset by the decrease in interest rates and the decrease in fair value gains of Corporate Fund investments, reflecting market movements.

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



The decrease in return of all funds was due to the decrease in interest rates. The drop in return of the Corporate Funds was also affected by fair value losses of the Corporate Fund investments incurred during the first quarter of 2008, reflecting market movements. The decrease in return of Margin Funds was also attributable to an increase in the proportion of Margin Funds denominated in Japanese Yen.

The annualised net return on funds available for investment after the deduction of interest expenses during the first quarter is set out below:



The net return of the Margin Funds remained at a level similar to that of the corresponding period last year as the decrease in gross return was partly offset by the drop in the interest rate (savings rate) payable to margin depositors. The decrease in net return on Clearing House Fund investments was lower than the decrease in gross return due to the lower proportion of Clearing House Fund contributions eligible for interest in 2008.

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

(E) Gain on disposal of properties

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000	Change
Gain on disposal of properties	68,641	-	N/A

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

(F) Other income

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000	Change
Network, terminal user, dataline and software sub-license fees	89,851	53,061	69%
Participants' subscription and application fees	8,528	8,480	1%
Brokerage on direct IPO allotments	3,734	8,347	(55%)
Trading booth user fees	2,397	2,394	0%
Fair value gain of an investment property	-	500	(100%)
Accommodation income	8,916	1,841	384%
Sale of Trading Rights	3,000	-	N/A
Miscellaneous income	4,198	3,501	20%
Total	120,624	78,124	54%

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

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

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 Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000	Change
Staff costs and related expenses	228,900	182,305	26%
Information technology and computer maintenance expenses	61,583	51,301	20%
Premises expenses	33,960	32,410	5%
Product marketing and promotion expenses	3,560	2,479	44%
Legal and professional fees	3,590	1,374	161%
Depreciation	23,663	23,162	2%
Other operating expenses	27,303	29,612	(8%)
Total	382,559	322,643	19%

Staff costs and related expenses increased by \$47 million, primarily due to the increase in salary costs and provident fund contributions as a result of the increase in headcount and salary adjustment in 2008, 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 \$24 million (2007: \$17 million), were \$38 million (2007: \$34 million). The increase in costs directly consumed by Participants was primarily due to the increase in purchases of AMS/3 hardware and software and higher line rentals incurred by the Participants. Costs consumed by Participants were mostly recovered from the Participants and the income was included as part of network, terminal user, dataline and software sub-license fees under Other income. The increase in costs consumed by the Group was mainly due to higher maintenance costs and line rentals.

Legal and professional fees increased mainly due to the increase in legal fees incurred for listing-related issues.

Other operating expenses decreased mainly attributable to the one-off initial contribution to the Financial Reporting Council of \$5 million incurred in the first quarter of 2007 but were partly offset by the increase in index license fees as a result of the rise in the number of derivative transactions and higher fees paid to a custodian in the first quarter of 2008.

Share of Profit of an Associate

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000	Change
Share of profit of an associate	-	5,587	(100%)

The Group disposed of its entire interest in the associate in April 2007 and hence there was no share of profit in 2008.

Taxation

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000	Change
Taxation	252,344	159,346	58%

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

Working Capital

Working capital increased by \$1,583 million or 21 per cent to \$8,999 million as at 31 March 2008 (31 December 2007: \$7,416 million). The increase was primarily due to the profit generated during the first quarter of 2008 of \$1,650 million and the decrease in other working capital of \$67 million.

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 31 March 2008, the aggregate net open foreign currency positions amounted to HK\$2,186 million, of which HK\$216 million were non-USD exposures (31 December 2007: HK\$4,727 million, of which HK\$210 million were non-USD exposures), and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK\$3,093 million (31 December 2007: HK\$2,926 million). All forward foreign exchange contracts would mature within two months (31 December 2007: two months).

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 2007.

Changes since 31 December 2007

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 2007.

It is the Group's plan to declare dividend only at the half-year and year-end. Therefore, no dividend will be proposed for the first quarter ended 31 March 2008 (first quarter of 2007: \$Nil).

Due to fluctuations in market conditions and changes in operating environment, certain categories of income and operating expenses may vary substantially from quarter to quarter. Therefore, quarterly results should not be extrapolated to project the Group's full-year performance.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000
	Note		
INCOME	2		
Trading fees and trading tariff		866,110	504,413
Stock Exchange listing fees		191,112	143,401
Clearing and settlement fees		420,807	261,504
Depository, custody and nominee services fees		64,219	60,742
Income from sale of information		185,061	127,612
Net investment income	4	368,070	223,143
Gain on disposal of properties	10	68,641	-
Other income	5	120,624	78,124
	3	2,284,644	1,398,939
OPERATING EXPENSES			
Staff costs and related expenses		228,900	182,305
Information technology and computer maintenance expenses		61,583	51,301
Premises expenses		33,960	32,410
Product marketing and promotion expenses		3,560	2,479
Legal and professional fees		3,590	1,374
Depreciation		23,663	23,162
Other operating expenses	6	27,303	29,612
	3	382,559	322,643
OPERATING PROFIT	3	1,902,085	1,076,296
SHARE OF PROFIT OF AN ASSOCIATE	3	-	5,587
PROFIT BEFORE TAXATION	3	1,902,085	1,081,883
TAXATION	7	(252,344)	(159,346)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		1,649,741	922,537
Basic earnings per share	8	\$1.54	\$0.87
Diluted earnings per share	8	\$1.53	\$0.86

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000
Profit attributable to shareholders	1,649,741	922,537
Other comprehensive income:		
Available-for-sale financial assets:		
Change in fair value	56,821	(12,746)
Realisation of change in fair value on maturity	(15,155)	(926)
Less: Reclassification adjustment:		
Gains included in profit or loss on disposal	(4,678)	-
Deferred tax	(5,828)	2,061
	31,160	(11,611)
Cash flow hedges:		
Fair value losses of hedging instruments	-	(84)
Less: Reclassification adjustment:		
Losses reclassified to profit or loss as information technology and computer maintenance expenses	-	42
	-	(42)
Other comprehensive income attributable to shareholders, net of tax	31,160	(11,653)
Total comprehensive income attributable to shareholders	1,680,901	910,884

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited at 31 Mar 2008 \$'000	Audited at 31 Dec 2007 \$'000
NON-CURRENT ASSETS			
Fixed assets		299,923	317,065
Lease premiums for land		60,580	60,708
Clearing House Funds		1,659,320	2,192,204
Available-for-sale financial assets		127,000	25,270
Deferred tax assets		4,232	3,610
Other financial assets		19,704	19,177
Other assets		3,212	3,212
		2,173,971	2,621,246
CURRENT ASSETS			
Accounts receivable, prepayments and deposits	9	19,674,947	18,364,129
Lease premiums for land		509	509
Tax recoverable		-	148
Margin Funds on derivatives contracts		61,560,323	55,428,888
Financial assets at fair value through profit or loss		2,963,990	2,996,555
Available-for-sale financial assets		2,966,726	3,041,737
Time deposits with original maturities over three months		1,390,228	682,174
Cash and cash equivalents		5,413,129	4,744,711
		93,969,852	85,258,851
Non-current assets held for sale	10	-	64,092
		93,969,852	85,322,943
CURRENT LIABILITIES			
Margin deposits from Clearing Participants on derivatives contracts		61,560,323	55,428,888
Accounts payable, accruals and other liabilities	11	22,171,048	21,375,909
Financial liabilities at fair value through profit or loss		25,068	6,149
Participants' admission fees received		2,900	3,050
Deferred revenue		342,200	375,174
Taxation payable		838,228	687,726
Provisions		31,111	29,630
		84,970,878	77,906,526
NET CURRENT ASSETS		8,998,974	7,416,417
TOTAL ASSETS LESS CURRENT LIABILITIES		11,172,945	10,037,663

	Note	Unaudited at 31 Mar 2008 \$'000	Audited at 31 Dec 2007 \$'000
NON-CURRENT LIABILITIES			
Participants' admission fees received		82,050	82,550
Participants' contributions to Clearing House Funds		956,289	1,496,855
Deferred tax liabilities		32,554	36,873
Financial guarantee contract		19,909	19,909
Provisions		24,108	24,128
		1,114,910	1,660,315
NET ASSETS		10,058,035	8,377,348
CAPITAL AND RESERVES			
Share capital		1,071,305	1,070,285
Share premium		289,058	266,170
Shares held for Share Award Scheme		(73,101)	(47,803)
Employee share-based compensation reserve		50,845	49,669
Revaluation reserves		84,041	56,036
Designated reserves		702,015	694,853
Retained earnings	12	7,933,872	6,288,138
SHAREHOLDERS' FUNDS		10,058,035	8,377,348
TOTAL ASSETS		96,143,823	87,944,189
TOTAL LIABILITIES		86,085,788	79,566,841
SHAREHOLDERS' FUNDS PER SHARE		\$9.40	\$7.83

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 2007 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 2007.

The Group manages a significant portfolio of investments. Securities and derivative financial instruments (ie, forward foreign exchange contracts, futures and options 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”), if any, are classified as financial assets/liabilities at fair value through profit or loss with changes in fair value recognised in profit or loss. Securities not held for trading (such as those of the Corporate Funds managed internally and those held for the Clearing House Funds 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 other comprehensive income and recorded in the investment revaluation reserve.

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 expenses of Clearing House Funds) and other income, which are included in **Income** in the condensed consolidated income statement.

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

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

The **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 tax for the period by operating segment is as follows:

	Unaudited Three months ended 31 Mar 2008				
	Cash Market \$'000	Derivatives Market \$'000	Clearing Business \$'000	Information Services \$'000	Group \$'000
Income from external customers	961,489	181,793	519,451	185,200	1,847,933
Net investment income	30,081	318,757	19,134	98	368,070
Gain of disposal of properties	33,442	11,580	19,116	4,503	68,641
Total income	1,025,012	512,130	557,701	189,801	2,284,644
Operating expenses					
Direct costs	148,621	36,967	89,726	14,094	289,408
Indirect costs	45,405	15,893	25,918	5,935	93,151
	194,026	52,860	115,644	20,029	382,559
Reportable segment profit before tax	830,986	459,270	442,057	169,772	1,902,085

	Unaudited Three months ended 31 Mar 2007				
	Cash Market \$'000	Derivatives Market \$'000	Clearing Business \$'000	Information Services \$'000	Group \$'000
Income from external customers	580,497	123,421	342,864	128,514	1,175,296
Net investment income	37,593	138,908	46,439	203	223,143
Fair value gain of an investment property	500	-	-	-	500
Total income	618,590	262,329	389,303	128,717	1,398,939
Operating expenses					
Direct costs	111,158	33,285	84,383	11,463	240,289
Indirect costs	37,798	13,100	25,806	5,650	82,354
	148,956	46,385	110,189	17,113	322,643
Operating profit	469,634	215,944	279,114	111,604	1,076,296
Share of profit of an associate	-	-	5,587	-	5,587
Reportable segment profit before tax	469,634	215,944	284,701	111,604	1,081,883

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 tax. Taxation charge/(credit) is not allocated to reportable segments.

There were no inter-segment sales during the period (2007: \$Nil).

4. Net investment income

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000
Interest income		
- bank deposits	247,454	153,324
- listed available-for-sale financial assets	2,526	8,384
- unlisted available-for-sale financial assets	189,001	148,792
	438,981	310,500
Interest expenses	(70,041)	(147,156)
Net interest income	368,940	163,344
Net realised and unrealised (losses)/gains and interest income on financial assets and financial liabilities at fair value through profit or loss, held for trading		
- listed securities	(25,429)	32,411
- unlisted securities	18,194	13,905
- exchange differences	1,906	11,605
	(5,329)	57,921
Realised gains on disposal of unlisted available-for-sale financial assets	1,437	-
Dividend income		
- listed financial assets at fair value through profit or loss	1,450	1,712
Other exchange differences on loans and receivables	1,572	166
Net investment income	368,070	223,143
Net investment income was derived from:		
Corporate Funds	48,234	85,652
Margin Funds	312,614	123,391
Clearing House Funds	7,222	14,100
	368,070	223,143

5. Other income

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000
Network, terminal user, dataline and software sub-license fees	89,851	53,061
Participants' subscription and application fees	8,528	8,480
Brokerage on direct IPO allotments	3,734	8,347
Trading booth user fees	2,397	2,394
Fair value gain of an investment property	-	500
Accommodation income on securities deposited by Participants as alternatives to cash deposits of the Margin Funds	8,916	1,841
Sale of Trading Rights	3,000	-
Miscellaneous income	4,198	3,501
	120,624	78,124

6. Other operating expenses

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000
Reversal of provision for impairment losses of trade receivables	(96)	(63)
Insurance	1,172	1,196
Financial data subscription fees	1,119	1,006
Custodian and fund management fees	3,116	2,193
Bank charges	3,033	3,490
Repair and maintenance expenses	2,172	1,756
License fees	4,835	3,845
Communication expenses	1,096	1,250
Other miscellaneous expenses	10,856	14,939
	27,303	29,612

7. Taxation

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

	Unaudited Three months ended 31 Mar 2008 \$'000	Unaudited Three months ended 31 Mar 2007 \$'000
Provision for Hong Kong Profits Tax for the period (note a)	263,113	159,527
Deferred taxation	(10,769)	(181)
	252,344	159,346

- (a) Hong Kong Profits Tax has been provided for at 17.5 per cent (2007: 17.5 per cent) on the estimated assessable profit for the period.

8. Earnings per share

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

- (a) Basic earnings per share

	Unaudited Three months ended 31 Mar 2008	Unaudited Three months ended 31 Mar 2007
Profit attributable to shareholders (\$'000)	1,649,741	922,537
Weighted average number of shares in issue less shares held for Share Award Scheme	1,069,784,647	1,065,201,786
Basic earnings per share	\$1.54	\$0.87

- (b) Diluted earnings per share

	Unaudited Three months ended 31 Mar 2008	Unaudited Three months ended 31 Mar 2007
Profit attributable to shareholders (\$'000)	1,649,741	922,537
Weighted average number of shares in issue less shares held for Share Award Scheme	1,069,784,647	1,065,201,786
Effect of employee share options	7,873,868	11,314,431
Effect of Awarded Shares	1,118,822	1,185,988
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,078,777,337	1,077,702,205
Diluted earnings per share	\$1.53	\$0.86

9. Accounts receivable, prepayments and deposits

The Group's accounts receivable, prepayments and deposits amounted to \$19,674,947,000 (31 December 2007: \$18,364,129,000). These mainly represented the Group's Continuous Net Settlement ("CNS") money obligations receivable under the T+2 settlement cycle, which accounted for 96 per cent (31 December 2007: 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.

10. Non-current assets held for sale

	Unaudited at 31 Mar 2008 \$'000	Audited at 31 Dec 2007 \$'000
Leasehold building	-	7,524
Investment property	-	24,200
Lease premium for land of leasehold property	-	32,368
	-	64,092
Reserves associated with assets held for sale recognised in other comprehensive income (leasehold buildings revaluation reserve)	-	3,155

On 19 September 2007, the Board approved the disposal of one of the leasehold properties and the investment property held by the Group as the Board resolved to restructure the Group's property portfolio. No impairment losses were recognised on the reclassification of the properties as held for sale.

In January 2008, the Group entered into agreements with two third parties to sell the leasehold property and the investment property for a consideration of \$103,380,000 and \$30,400,000 respectively. The sale transactions were completed on 18 February 2008. The accounting profit on the disposal of properties, after deducting related selling expenses of \$1,047,000, amounted to \$68,641,000 (\$62,709,000 for the leasehold property and \$5,932,000 for the investment property) and was recognised in the condensed consolidated income statement during the first quarter ended 31 March 2008.

11. Accounts payable, accruals and other liabilities

The Group's accounts payable, accruals and other liabilities amounted to \$22,171,048,000 (31 December 2007: \$21,375,909,000). These mainly represented the Group's CNS money obligations payable under the T+2 settlement cycle, which accounted for 85 per cent (31 December 2007: 81 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 2008 \$'000	Audited 2007 \$'000
At 1 Jan	6,288,138	3,366,989
Profit for the period/year (note a)	1,649,741	6,169,278
Surplus of net investment income net of expenses of Clearing House Funds for the period/year transferred to Clearing House Funds reserves	(7,162)	(67,037)
Transfer from leasehold buildings revaluation reserve on disposal of a leasehold property	3,155	-
	(4,007)	(67,037)
Dividends:		
2006 final dividend	-	(1,266,387)
Dividend on shares issued for employee share options exercised after 31 Dec 2006	-	(3,879)
	-	(1,270,266)
2007 interim dividend	-	(1,911,131)
Dividend on shares issued for employee share options exercised after 30 Jun 2007	-	(1,062)
	-	(1,912,193)
Unclaimed dividend forfeited	-	2,454
Vesting of shares of Share Award Scheme	-	(1,087)
At 31 Mar 2008/31 Dec 2007	7,933,872	6,288,138
Representing:		
Retained earnings	4,295,555	2,652,760
Proposed dividend	3,638,317	3,635,378
At 31 Mar 2008/31 Dec 2007	7,933,872	6,288,138

- (a) The Group's profit for the period/year included the net investment income net of expenses of the Clearing House Funds of \$7,162,000 (year ended 31 December 2007: \$67,037,000).

PROSPECTS

As an international financial centre, Hong Kong has been unavoidably affected by global financial woes stemming from the US credit crisis, the US and European liquidity crunch, falling US dollar, rising commodity prices and escalating inflation, as well as the decline of the Mainland equity market. High volatility was experienced by investors in the first quarter of 2008. Weakened investor confidence was reflected in the lower average daily turnover in the Cash Market in the first quarter of \$98.7 billion against \$134.5 billion in the fourth quarter of 2007. As of 31 March 2008, the HSI and H-shares Index had dropped by approximately 18 per cent and 25 per cent respectively and our total equity market capitalisation had dropped by approximately 18 per cent from the last quarter-end.

Even though the US Government and the Federal Reserve have taken unprecedented measures to tackle financial problems in the US in the wake of the subprime mortgage crisis, the slowdown of the US economy and fears of a worsening situation are likely to continue to cast a shadow over the global economy.

In the Mainland, Premier Wen Jiabao in March this year indicated that 2008 might be a difficult year for the Mainland economy, and that the most daunting challenge is to control inflation. After five years of rapid expansion featuring double-digit gross domestic product growth and low inflation, the battle against rising inflation, which has surpassed 8 per cent, is said to be the Mainland's top priority in 2008. The Central Government's stated commitment to tighten monetary policy to curb overheating will have an impact on the performance of the Mainland stock market.

Amid uncertainties in the global financial markets, 10 companies were newly listed on the Main Board, including three companies transferred from GEM (the first quarter of 2007: 13, including one company transferred from GEM), and various products achieved record highs in the Derivatives Market in the first quarter of 2008. HKEx is firmly proceeding with its Strategic Plan 2007-2009 in order to achieve sustainable growth. HKEx is focusing on facilitating the use of our platform for investment of Mainland funds through the Qualified Domestic Institutional Investor (QDII) scheme, and attracting overseas issuers to list in Hong Kong. The revamped GEM Board and the introduction of a depositary receipts regime in the third quarter of 2008 will give potential issuers and investors more choice.

HKEx will also continue to improve its key operating systems to maximise operational efficiency and enhance risk management. We will continue to pursue our objectives of further developing Hong Kong's financial markets and strengthening Hong Kong as an international financial centre.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2008 in conjunction with HKEx's external auditor.

Management has appointed the external auditor to carry out certain agreed-upon procedures in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants on the unaudited condensed consolidated financial statements for the three months ended 31 March 2008.

CORPORATE GOVERNANCE

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

GovernanceMetrics International, a corporate governance research and ratings agency, continued to assign high ratings to HKE_x in recognition of its high corporate governance standards. As of 15 February 2008, the Global Rating and Home Market Rating remained at 8.0 and 10.0 respectively out of the maximum of 10.0.

HKE_x believes that good management of corporate social responsibilities (“CSR”) is a business imperative to meet evolving social demands in a fast-paced business environment. In order to further enhance HKE_x’s CSR measures, we have appointed a consultant to conduct an independent review of the existing CSR policies and measures with a view to further develop appropriate sustainable CSR solutions, and to carry out a green audit of HKE_x’s operations (“Review”). The Review is expected to be completed in about four months.

PURCHASE, SALE OR REDEMPTION OF HKE_x’S LISTED SECURITIES

During the three months ended 31 March 2008, HKE_x had not redeemed, and neither HKE_x nor any of its subsidiaries had purchased or sold, any of HKE_x’s listed securities, except that the trustee of the Employees’ Share Award Scheme adopted by the Board on 14 September 2005 (which was subsequently amended by the Board on 16 August 2006) (“Share Award Scheme”) had, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Exchange a total of 155,000 shares of HKE_x. The total amount paid to acquire these shares during the period was about \$25,298,000.

PUBLICATION OF RESULTS AND QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2008

This results announcement is published on HKE_xnews at www.hkexnews.hk and the HKE_x website at www.hkex.com.hk/relation/results/2008_1stqtr_e.pdf. The Quarterly Report for the three months ended 31 March 2008 will be available on both websites and despatched to Shareholders on or about Wednesday, 28 May 2008.

BOARD OF DIRECTORS

Dr Bill C P Kwok and Mr Vincent K H Lee were re-elected as Directors by Shareholders at the annual general meeting held on 24 April 2008 and their service terms will be approximately three years from 24 April 2008 until the conclusion of the annual general meeting to be held in 2011. On the same day, the Financial Secretary of Hong Kong re-appointed Mr Ronald J Arculli, Mrs Laura M Cha and Dr Moses M C Cheng as Government Appointed Directors each for a term of approximately two years from 24 April 2008 until the conclusion of the annual general meeting to be held in 2010. The Board subsequently on 25 April 2008 re-appointed Mr Ronald J Arculli as the Chairman of the Board and the Chief Executive of Hong Kong on 29 April 2008 approved the re-appointment.

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, Dr 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, 14 May 2008