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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 HKD unless otherwise stated)

QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2011

The Board submits the unaudited consolidated results of the Group for the three months ended 31 March 2011 as follows:

FINANCIAL HIGHLIGHTS

	Three months ended 31 Mar 2011	Three months ended 31 Mar 2010	Change
KEY MARKET STATISTICS			
Average daily turnover value on the Stock Exchange (\$bn)	75.9	64.8	17%
Average daily number of derivatives contracts traded on the Futures Exchange	246,687	211,724	17%
Average daily number of stock options contracts traded on the Stock Exchange	299,477	205,581	46%

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m	Change
RESULTS			
Revenue and other income	1,907	1,714	11%
Operating expenses	442	385	15%
Profit before taxation	1,465	1,329	10%
Taxation	(227)	(202)	12%
Profit attributable to shareholders	1,238	1,127	10%
Basic earnings per share	\$1.15	\$1.05	10%
Diluted earnings per share	\$1.15	\$1.04	11%

	At 31 Mar 2011	At 31 Dec 2010	Change
KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Shareholders' funds (\$m)	9,934	8,677	14%
Total assets ¹ (\$m)	59,826	47,884	25%
Net assets per share ²	\$9.23	\$8.06	15%

Notes:

- The Group's total assets include the Margin Funds received from Participants on futures and options contracts.
- Based on 1,076,507,354 shares as at 31 March 2011, being 1,078,164,346 shares issued and fully paid less 1,656,992 shares held for the Share Award Scheme (31 December 2010: 1,076,436,353 shares, being 1,078,092,346 shares issued and fully paid less 1,655,993 shares held for the Share Award Scheme)

CHAIRMAN'S STATEMENT

Activity in the Hong Kong securities and derivatives markets remained healthy in the first quarter of 2011. As a result, the Group recorded a profit attributable to shareholders of \$1.2 billion which is an increase of about 10 per cent against the same period last year.

The ripple effect is exemplified in today's interconnected world economy. The unprecedented catastrophe in Japan, political unrest in the Middle East and North Africa, the continued fiscal strains in the Eurozone, and the policy moves by the Central Government to curb inflation and asset-price bubbles have not only cast uncertainties on the economy of those regions but also the global economy, including Hong Kong. As a market operator, HKEx will remain vigilant in responding to developments, internationally and locally, and work closely with other members of the World Federation of Exchanges to preserve the stability of the global financial markets. Investors are reminded to keep a watchful eye on market developments and be prudent in making their investment decisions.

In the exchange business, the emergence of alternative trading venues and the proposed cross-border mergers of established exchanges have placed HKEx in a rapidly changing and increasingly competitive landscape. Nevertheless, HKEx is privileged to benefit from the sustained growth of the largest economy in Asia. To seize the opportunity presented by the Mainland's 12th Five-Year Plan, building on our strengths as China's international financial centre and our unique position as a gateway between China and the rest of the world, HKEx will continue to foster the sustained development of our financial services and to establish Hong Kong as an offshore RMB centre.

I am confident that with resolute focus on implementing our Strategic Plan 2010-2012, HKEx will be able to take on challenges and capitalise on any new opportunities that may arise.

With Shareholders' overwhelming support, I am pleased that HKEx's 2011 AGM was successfully held on 20 April 2011 and all our proposed resolutions were passed. On behalf of the Board, I would like to congratulate Dr Bill Kwok and Mr Vincent Lee on their re-election, and Messrs Stephen Hui and Michael Lee on their re-appointment to the Board. Moreover, we welcome Mr John Harrison's appointment as a Director and look forward to working with him.

Dr Marvin Cheung retired from the Board after the 2011 AGM. During his service on the Board, Dr Cheung was the chairman of the Audit Committee and a member of the Remuneration Committee and the Risk Management Committee. HKEx takes this opportunity to thank Dr Cheung for his wise counsel, invaluable contributions and support to HKEx over the past six years.

Ronald Joseph ARCULLI
Chairman

CHIEF EXECUTIVE'S REVIEW

The verse, “inherit the past and usher in the future” best describes what the executive management at HKEX is working on. We are proud of our achievements in 2010 but are cautiously implementing our Strategic Plan to tackle the impending challenges with a view to leading the Group into a new frontier.

Market Performance

In the first quarter of 2011, 17 companies were newly listed on the Stock Exchange, raising a total of \$17.8 billion. In the secondary market, an average daily turnover value of \$75.9 billion was recorded, an increase of 17 per cent against the corresponding period last year. An average daily of 246,687 derivatives contracts and 299,477 stock options contracts were traded on the Futures Exchange and the Stock Exchange respectively.

International Listing

As overseas enterprises have shown growing interest to seek listing in Hong Kong, we will continue with our efforts to promote the Exchange as the ideal listing venue to potential issuers from different parts of the world, and continue to explore ways to further facilitate secondary listing of overseas companies in Hong Kong. A survey revealed that institutional investors in Asia and Europe remain bullish on Asian equities with more than half indicating that they will increase their investments in the region in the next three years.¹

Market Infrastructure

To build a closer collaboration with the Mainland has always been one of our priorities in the Strategic Plan. The successful implementation of the first phase of our extension of trading hours has brought us closer in line with the Mainland markets and international practices, it has fortified our competitiveness, and will contribute to our longer term development.

With our investment in an RMB infrastructure, we are ready to support the listing of, and dealing in, RMB-denominated securities. To capitalise on our Mainland advantage, we have put additional efforts into expanding our Mainland market data programme and facilitating Mainland connectivity. We are working on the development of SDNet 2.0 (the second generation of securities and derivatives network), construction of the Next Generation Data Centre (NGDC) for consolidating our data centres and offering hosting services, upgrading of our securities trading system to AMS/3.8, and a number of initiatives to improve our market infrastructure.

¹ Between mid-December 2010 and mid-January 2011, Fidelity International and Greenwich Associates conducted interviews with 45 institutional investors (including sovereign wealth funds, government-affiliated investors, pension funds and insurance companies) in Asia and Europe with over approximately USD1.6 trillion in assets under management in total. (Source: Fidelity White Paper “Institutional Asset Flows And Benchmark Challenges”, March 2011)

RMB Business Development

Trading in RMB-denominated shares is important to the further development of the offshore RMB market in Hong Kong, or the CNH market. Currently, 3 RMB-denominated debt securities are listed and available for trading on the Exchange. On 29 April 2011, the successful listing of Hui Xian REIT on the Exchange marked an important milestone as the first IPO and listing of RMB-denominated REIT. HKEx will continue to work closely with issuers, brokers and regulators on the introduction of other RMB-denominated products.

However, the long-term growth and stability of an RMB stock market segment is subject to the challenge of sufficient and reliable RMB liquidity in Hong Kong. In this regard, HKEx plans to introduce an RMB equity Trading Support Facility (TSF) in the second half of this year, pending regulatory approval, to facilitate trading in RMB-denominated shares in the secondary market.

The TSF will source RMB from one or more banks in Hong Kong by way of foreign exchange spot transactions and provide the RMB through its participating brokers to investors who wish to buy RMB-denominated shares in the secondary market. The TSF's RMB-HKD exchange rate will be set on a commercial basis by the participating bank(s). Upon sale of the RMB-denominated shares by investors, the RMB proceeds will be returned to the TSF, and investors will collect the HKD equivalent converted at the TSF's prevailing exchange rate. This mechanism (so called "HK Dollar-in, HK Dollar-out") will ensure that the RMB supplied by the TSF stays in the secondary market.

There are a number of initiatives to be launched during 2011 aiming at further improving market quality, steering HKEx into new business arenas and delivering the best performance for Shareholders. We are entering into a capital investment phase and will experience some growth in headcount and costs with the implementation of these initiatives.

LI Xiaojia, Charles

Director and Chief Executive

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing

Changes to Minimum Number of Shareholders for Market Capitalisation/Revenue Test and Requirements for Qualified Property Acquisitions and Formation of Joint Ventures

Under the consultation conclusions published on 21 January 2011, the Exchange has amended the Listing Rules to reduce the minimum shareholder requirement for the Market Capitalisation/Revenue Test from 1,000 to 300 shareholders, and to implement the proposed changes to requirements for qualified property acquisitions and formation of joint ventures. The Rule amendments became effective on 1 February 2011.

Review of Comments on Various Proposals

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

Provision of Free Training Programme to Strengthen ESG Reporting

In light of the increasing focus on Environmental, Social and Governance (ESG) reporting, HKEx will organise a series of training seminars and workshops between May and July this year to help equip listed companies with practical tools necessary for ESG reporting. HKEx will consult the public on a draft ESG Reporting Guide after the training seminar and workshop, which will be structured based on the draft Guide. Subject to market comments, HKEx proposes to finalise the Guide that embraces recommended best practices.

Enhancement of Continuing Disclosure Regime

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

Cash Market

Market Performance

In the first quarter of 2011, 14 companies were newly listed on the Main Board (including 4 transfers from GEM), and 3 on GEM. Total capital raised including post-listing funds reached \$66.7 billion. As at 31 March 2011, 1,258 and 168 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about \$21,400 billion. In addition, there were 5,689 DWs, 974 CBBCs, 8 REITs, 72 ETFs and 170 debt securities listed as at 31 March 2011. The average daily turnover in the first quarter of 2011 was \$75.6 billion on the Main Board and \$364.8 million on GEM.

Implementation of Extension of Trading Hours

Following a series of market simulations in the middle of February 2011 to assist EPs and IVs in verifying their readiness, the first phase of the two-phased trading hour extension in the securities and derivatives markets was implemented smoothly on 7 March 2011. The second phase will be implemented on 5 March 2012.

The extension was aimed at enhancing the price discovery function for Mainland-related securities listed in Hong Kong by opening the market earlier and increasing the overlap between Hong Kong and Mainland trading hours, and strengthening HKEx's competitiveness by narrowing the gap between its trading hours and those of other Asian exchanges.

Trading and Clearing of RMB Products

During the first quarter of 2011, HKEx and the SFC jointly organised 3 briefing sessions for the EPs and CPs to assist them in preparing for RMB-related business. Subsequently, HKEx conducted 2 RMB readiness tests to help them determine their operation readiness. The list of the EPs and CPs which have successfully completed the tests and confirmed their readiness for trading and/or clearing RMB securities is available on the HKEx website.

Development of ETF Market

The securities market had 72 ETFs and 14 ETF managers as at 31 March 2011 following the listing of the W.I.S.E. – CSI HK Listed Mainland Consumption Tracker, W.I.S.E. – CSI HK Listed Mainland Real Estate Tracker, and Mirae Asset TIGER KOSPI 200 ETF during the first quarter of 2011. In addition, HKEx received the 2011 award for the Best Asian Exchange for Listing ETFs from etfexpress, a website that covers the ETF industry.

Derivatives Market

Market Performance

In the first quarter of 2011, the products shown below had record high open interest and most had record high one-day volume.

Products	Record High One-day Volume		Record High Open Interest	
	Date	Number of Contracts	Date	Number of Contracts
Mini HSI Futures	15 Mar	79,706	15 Feb	12,619
Mini H-shares Index Futures	15 Mar	13,593	11 Feb	3,657
Mini HSI Options	15 Mar	9,192	29 Mar	19,793
HSI Dividend Point Index Futures	2 Feb	1,600	17 Feb	5,439
HSCEI Dividend Point Index Futures	-	-	29 Mar	3,122
Flexible HSI Options	-	-	30 Mar	5,310

Introduction of Synthetic Futures Trading

On 9 May 2011, HKEx introduced a standard combination trading function in its stock options market by which investors can use synthetic futures strategies in the trading of 5 active stock option classes, namely China Construction Bank, China Life Insurance, China Mobile, HKEx and HSBC, to reduce execution risk.

Synthetic futures series in other option classes may be introduced, subject to market demand.

Introduction of VHSI and Plans for Futures on VHSI

As the result of more than two years of concerted efforts between HKEx and Hang Seng Indexes Company Limited (HSIL) to develop a stock market volatility benchmark for Hong Kong, the real-time HSI Volatility Index (VHSI) was launched on 21 February 2011, which is an HSI related indicator based on the Chicago Board Options Exchange's Volatility Index, or VIX, methodology with adaptations to suit the Hong Kong market. The VHSI measures the expected volatility of the HSI over the next 30 days implied in the prices of HSI options trading in the derivatives market. Since 14 March 2011, real-time VHSI has been disseminated on the HKEx website and via HKEx's Market Datafeed to authorised IVs. HKEx and HSIL are working together on a series of educational and promotional programmes to help the investment community familiarise itself with the VHSI and to raise public awareness of the index and its applications.

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

Shortening of Price Update Interval

Effective 14 March 2011, the price update interval was shortened from 1 second to 0.5 second, enabling investors to have more frequent updates of the bid and ask prices in the derivatives market. Rehearsals were conducted in January and February 2011 to assist EPs in verifying their system readiness.

Clearing

T+2 Finality

HKEx has arranged a series of briefing sessions to help EPs and Designated Banks prepare for the launch of T+2 Finality on 25 July this year. A new interbank bulk settlement run will be introduced in the evening of T+2 to provide finality of securities and money settlement on the same day.

Scripless Securities Market

The Scripless Securities Market Working Group has completed the study of the operational details of the proposed model, which will form the basis for the SFC's preparation of the consultation on the new subsidiary legislation under the SFO. Relevant legislative amendments are targeted to be submitted to the Legislative Council for its deliberation this year.

Participant Services

Participant Training and Market Education

In the first quarter of 2011, HKEx and the Hong Kong Securities Institute jointly organised 4 Continuous Professional Training courses on HKATS operations and trading procedures. There were also 3 training courses related to AMS/3, and 8 related to CCASS or DCASS. In addition, a total of more than 600 nominees from EPs attended the 5 briefing sessions and 2 seminars on derivatives market products during the quarter. HKEx planned to organise another 26 interactive training courses on Stock Options for frontline sales staff of EPs later this year.

Participant Recruitment

In the first quarter of 2011, 8 SEHK Participants and 2 HKFE Participants were newly admitted, including new EPs from the Mainland and overseas. As at the end of March 2011, there were 522 SEHK Participants and 180 HKFE Participants. For HKSCC, there were 23,340 CCASS Participants, including 167 IPs newly admitted in the first quarter of 2011.

Market Data

Launch of Basic Market Prices Service

To enhance market transparency and raise the profile of the Hong Kong securities and derivatives markets, HKEx repackaged the Free Prices Website Service as the Basic Market Prices (BMP) service and launched the service on 1 April 2011. Under the BMP service, HKEx provides basic securities and derivatives market data to service providers at a flat monthly fee. The service providers include IVs, EPs or their affiliates, and the six designated websites which were part of the Free Prices Website Service pilot programme. The BMP service was available through a total of 23 websites and 10 mobile applications when it was launched. HKEx has been processing new BMP service applications and expects there will be more BMP services provided under different platforms in the near future.

Introduction of PRS Plus

HKEx introduced an additional derivatives market datafeed, PRS Plus, on 11 April 2011. PRS Plus and the current PRS are identical in terms of data content and market depth, but the update interval of the PRS Plus is 5 times shorter. Eighteen IVs offered PRS Plus on their services on its launch date and HKEx anticipates more than one-third of the derivatives market data services in the market will eventually be offered with PRS Plus data.

HKEx also introduced an End-user Licence for both PRS and PRS Plus. So far, 18 companies (mainly EPs and market makers) have obtained the licence for the internal usage of PRS Plus.

Risk Management

Market Surveillance

Under the Memorandum of Understanding between the SFC and HKEx on matters relating to market surveillance, HKEx referred a total of 32 cases involving possible violations of Hong Kong laws, SFC codes and/or rules and regulations relating to its markets to the SFC for its investigation during the three months ended 31 March 2011.

Information Technology

Production Systems' Stability and Reliability

During the first quarter of 2011, all major trading, clearing and settlement, and market data dissemination systems for the securities and derivatives markets operated by HKEx continued to perform robustly and reliably. HKEx remains committed to upholding system reliability, availability and stability.

System Capacity Planning and Technology Upgrades

HKEx continues its technology investment in system upgrades to capture new business opportunities and strengthen its competitiveness. This includes: (i) the introduction of the PRS Plus in April this year to deliver an additional datafeed for the derivatives market to support higher price update frequency of about 6,600 messages per second initially and 7,300 messages per second by 2012; (ii) the increase in the DCASS capacity by about 60 per cent to handle 475,000 account positions in the third quarter of 2011; (iii) the capacity upgrade of the AMS/3 technology scheduled for completion by the end of this year, which involves capacity increase by 10 times to 30,000 orders per second and order processing latency reduction by 16 times to 9 milliseconds (referred to as AMS/3.8); and (iv) the further upgrade of MDS to MDS/3.8 for capacity alignment with AMS/3.8.

Apart from the above, planning for the next generation market datafeed system is underway. The aim of the project is to replace the existing MDS and PRS with a single, common, flexible, and ultra low latency market data dissemination platform for all asset classes trading at HKEx.

System Enhancements for RMB Products

The CCASS enhancements were implemented in March 2011 to: (i) facilitate eIPO refunds in RMB currency in clear good funds on the same day; and (ii) apply haircuts for converting marks and collateral requirements in RMB and other foreign currencies into HKD equivalent. In addition, the Cash Clearing Risk Management System will be enhanced late this year to enable the calculation and collection of marks and concentration of collateral in currencies other than HKD to cover corresponding trade currencies of the securities. Meanwhile, the RMB TSF enhancements will be implemented in the second half of this year to facilitate trading in RMB equity products.

The DCASS enhancements to support RMB margined and settled futures and options are also in progress. Implementation will be carried out in 2 phases. The first phase will be rolled out in the middle of this year to facilitate the introduction of new stock options with trading/settlement currencies other than HKD. Phase two will be implemented thereafter to facilitate margin offset between products with different settlement currencies.

HKEx is also pursuing a number of initiatives to enhance its infrastructure readiness for a range of RMB products in the securities market.

Independent Review of Market Systems

The independent pre-implementation review of AMS/3.8 and MDS/3.8 will commence in the second quarter of this year. The review will cover the technology and security risks, system development and project management controls, and the production and market readiness of AMS/3.8 and MDS/3.8 prior to production launch late this year.

Operational Efficiency

HKEx is working on the automated Structured Products Integrated Transaction System (SPRINTS) to facilitate automation of the approval process for DW and CBBC listing applications, and on the Enterprise Content Management systems to streamline document management process and enhance operational efficiency in the Listing Division. The systems are targeted for launch in the second and third quarter of this year respectively.

NGDC and IT Office Consolidation

HKEx started site preparation work in late 2010 for construction of the NGDC at Tseung Kwan O Industrial Estate. Tender for the building superstructure will be arranged in the second quarter of this year with the construction work to commence in the third quarter of this year. The electrical and mechanical facilities required for the hosting services will be built in phases in the middle of this year to meet the target of launching the services by the end of 2012. Relocation of the primary data centre for the securities market to the NGDC will take place in the fourth quarter of 2012, and the relocation of other systems will be completed by phases by the fourth quarter of 2013.

Market Development

Development of OTC Clearing

HKEx is in the process of devising the detailed business model, risk management framework, and shareholder structure for the OTC derivatives clearing service business which is planned for launch by the end of 2012. HKEx aims to discuss its proposals with relevant stakeholders, including OTC market dealers, in the coming months. HKEx is also reviewing and evaluating potential IT platforms for the OTC clearing service. Meanwhile, HKEx is also working with the Hong Kong Monetary Authority (HKMA) to develop the interface between the OTC clearing house and the trade repository. The Hong Kong Government, the HKMA, and the SFC are currently formulating the regulatory regime for Hong Kong's OTC derivatives market and plan to conduct a market consultation on the detailed rules and regulations in the third quarter of this year. Interest rate derivatives and non-deliverable forwards will be the initial products cleared by the OTC clearing house.

Issuer Marketing

Listing promotion initiatives are focused on 2 main areas: (i) to introduce our securities market to selected overseas markets as one of the most vibrant capital raising platforms globally, and particularly for resource and luxury brand companies; and (ii) to promote the Exchange's pre-eminence as a listing venue for Mainland companies that were already listed on other overseas exchanges and are seeking capital, profile, and a liquid primary and/or secondary market.

At the beginning of the year, promotional activities were conducted in Italy and Switzerland as well as Taiwan. The Chairman and HKEx executives met with potential issuers in Europe and, spoke at the "China Capital Summit" in Milan to attract luxury brands and other companies at the conference to list in Hong Kong. The listing of French cosmetics brand L'Occitane in Hong Kong in May 2010 highlights investors' strong interest in this sector. Other well-known European brands have expressed interest in Hong Kong listings, not only to raise funds, but also to achieve greater brand recognition in this part of the world.

Following the successful listings of Mongolian Mining Corporation and SouthGobi Resources Ltd in Hong Kong in 2010, HKEx executives travelled to Mongolia in February 2011 to meet with government authorities and potential listing applicants in Ulaanbaatar. There was also a trip to Toronto and Vancouver in March 2011 to meet a number of mineral companies. During the visit, the Head of Issuer Marketing spoke at a number of events in conjunction with the Prospectors and Developers Association of Canada Convention 2011, one of the most popular annual events for the global mining industry. In Hong Kong, HKEx participated in Mines and Money Conference in late March 2011 and joined the discussion of the growing importance of the Exchange for fund raising by natural resource companies.

HKEx continued to identify listing prospects in the Mainland and spoke at events in Beijing, Guangdong, Shanghai, and Hainan. In January 2011, HKEx, the Shandong Provincial Government and the Shandong Financial Services Office co-organised a conference in Jinan on listing in Hong Kong. HKEx also co-organised 2 large seminars in Hong Kong in March 2011, targeting enterprises from Sichuan and Hebei to ascertain their interest in listing. The Vice Governors of Sichuan and Hebei attended the events and delivered keynote addresses.

Publication of Cash Market Transaction Survey

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

Treasury

The Group's funds available for investment comprise Corporate Funds, cash collateral, Margin Funds and Clearing House Funds, totalling \$44.0 billion on average for the three months ended 31 March 2011 (31 March 2010: \$37.1 billion).

As compared with 31 December 2010, the overall size of funds available for investment as at 31 March 2011 increased by 10 per cent or \$3.9 billion to \$42.2 billion (31 December 2010: \$38.3 billion). Details of the asset allocation of the investments as at 31 March 2011 against those as at 31 December 2010 are set out below.

	Investment Fund Size \$bn		Bonds *		Cash or Bank Deposits *		Global Equities	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010	Mar 2011	Dec 2010	Mar 2011	Dec 2010
Corporate Funds	10.9	9.4	53%	58%	43%	38%	4%	4%
Cash collateral	6.3	3.6	0%	0%	100%	100%	0%	0%
Margin Funds	22.3	22.7	26%	26%	74%	74%	0%	0%
Clearing House Funds	2.7	2.6	13%	14%	87%	86%	0%	0%
Total	42.2	38.3	29%	31%	70%	68%	1%	1%

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

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the cash collateral, Margin Funds and Clearing House Funds. Excluding equities and mutual funds held under the Corporate Funds (\$0.4 billion as at 31 March 2011 and 31 December 2010), which have no maturity date, the maturity profiles of the remaining investments as at 31 March 2011 (\$41.8 billion) and 31 December 2010 (\$37.9 billion) were as follows:

	Investment Fund Size \$bn		Overnight		>Overnight to 1 month		>1 month to 1 year		>1 year to 3 years		>3 years	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010	Mar 2011	Dec 2010	Mar 2011	Dec 2010	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Corporate Funds	10.5	9.0	16%	19%	24%	4%	16%	27%	29%	34%	15%
Cash collateral	6.3	3.6	75%	72%	6%	7%	19%	21%	0%	0%	0%	0%
Margin Funds	22.3	22.7	16%	27%	26%	24%	39%	26%	19%	23%	0%	0%
Clearing House Funds	2.7	2.6	71%	74%	11%	7%	5%	5%	13%	14%	0%	0%
Total	41.8	37.9	28%	33%	22%	16%	28%	24%	18%	23%	4%	4%

Credit exposure is well diversified. The Group's bond portfolio (which includes certain principal-guaranteed structured notes) held is of investment grade and, as at 31 March 2011, had a weighted average credit rating of Aa2 (31 December 2010: Aa2) and a weighted average maturity of 1.9 years (31 December 2010: 2.1 years). Deposits (which include certain principal-guaranteed structured deposits) are placed only with the note-issuing banks in Hong Kong, investment grade licensed banks and restricted licence banks approved by the Board from time to time.

Risk management techniques, such as Value-at-Risk (VaR) and portfolio stress testing, are used to identify, measure, monitor and control market risks. VaR measures the expected maximum loss over a given time interval (a holding period of 10 trading days is used by the Group) at a given confidence level (95 per cent confidence interval is adopted by the Group) based on historical data (1 year is used by the Group). The overall risk, as measured by the VaR methodology, during the first quarter of 2011 and the fourth quarter of 2010 was as follows:

	Average VaR \$m		Highest VaR \$m		Lowest VaR \$m	
	Jan-Mar 2011	Oct-Dec 2010	Jan-Mar 2011	Oct-Dec 2010	Jan-Mar 2011	Oct-Dec 2010
	Corporate Funds	25.9	20.6	27.5	23.9	23.9
Cash collateral	0.3	0.1	0.3	0.4	0.2	0.0
Margin Funds	6.3	8.7	7.5	10.0	5.9	7.2
Clearing House Funds	0.8	1.7	1.2	2.4	0.4	0.6

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	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m	Change
RESULTS				
Revenue and other income:				
Income affected by market turnover	(A)	1,255	1,091	15%
Stock Exchange listing fees	(B)	246	221	11%
Market data fees	(C)	168	169	(1%)
Other revenue	(D)	127	108	18%
Net investment income	(E)	111	125	(11%)
		1,907	1,714	11%
Operating expenses		442	385	15%
Profit before taxation		1,465	1,329	10%
Taxation		(227)	(202)	12%
Profit attributable to shareholders		1,238	1,127	10%

The Group recorded a profit attributable to shareholders of \$1,238 million in the first quarter of 2011 compared with \$1,127 million for the same period in 2010.

The higher profit in the first quarter of 2011 against that of 2010 was mainly due to higher turnover-related income driven by the more active Cash and Derivatives Markets and an increase in Stock Exchange listing fees.

Total operating expenses increased over the same quarter last year mainly due to higher staff costs as the Group embarks upon various initiatives under the Strategic Plan 2010-2012, and an increase in IT and computer maintenance expenses and legal and professional fees.

Revenue and Other Income

(A) Income Affected by Market Turnover

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m	Change
Trading fees and trading tariff	765	653	17%
Clearing and settlement fees	418	365	15%
Depository, custody and nominee services fees	72	73	(1%)
Total	1,255	1,091	15%

The increase in trading fees and trading tariff was primarily attributable to higher turnover of the Cash Market in the first quarter of 2011 against the same period in 2010.

Clearing and settlement fees are derived predominantly from Cash Market transactions. The increase in clearing and settlement fees in the first quarter of 2011 was mainly due to the higher turnover of the Cash Market. Clearing and settlement fees are also affected by the volume of settlement instructions (SIs) and, despite being mostly ad valorem fees, are subject to a minimum and a maximum fee per transaction and therefore may not always move exactly with changes in the turnover of the Cash Market. For the first quarter of 2011, the percentage increase in clearing and settlement fees was lower than that of the turnover of the Cash Market compared with the corresponding period in 2010 as a lower proportion of the value of exchange-traded transactions settled and SIs was subject to the minimum fee.

Depository, custody and nominee services fees mainly comprise scrip fees, corporate action fees, stock custody fees, dividend collection fees, stock withdrawal fees, and eIPO handling fees. Depository, custody and nominee services fees decreased slightly due mainly to a drop in corporate action fees.

Key Market Indicators

	Three months ended 31 Mar 2011	Three months ended 31 Mar 2010	Change
Average daily turnover value on the Stock Exchange (\$bn)	75.9	64.8	17%
Average daily number of derivatives contracts traded on the Futures Exchange	246,687	211,724	17%
Average daily number of stock options contracts traded on the Stock Exchange	299,477	205,581	46%

(B) Stock Exchange Listing Fees

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m	Change
Annual listing fees	107	96	11%
Initial and subsequent issue listing fees	138	124	11%
Others	1	1	0%
Total	246	221	11%

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

Key Drivers for Annual Listing Fees

	At 31 Mar 2011	At 31 Mar 2010	Change
Number of companies listed on Main Board	1,258	1,158	9%
Number of companies listed on GEM	168	174	(3%)
Total	1,426	1,332	7%

Key Drivers for Initial and Subsequent Issue Listing Fees

	Three months ended 31 Mar 2011	Three months ended 31 Mar 2010	Change
Number of newly listed DWs	2,056	1,649	25%
Number of newly listed CBBCs	1,449	1,886	(23%)
Number of newly listed companies on Main Board	14	13	8%
Number of newly listed companies on GEM	3	0	N/A
Total equity funds raised on Main Board			
– through IPOs (\$bn)	17.3	34.0	(49%)
– Post-IPO (\$bn)	46.9	50.8	(8%)
Total equity funds raised on GEM			
– through IPOs (\$bn)	0.5	0.0	N/A
– Post-IPO (\$bn)	2.0	2.3	(13%)

(C) Market Data Fees

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m	Change
Market data fees	168	169	(1%)

Despite an increase in the average daily turnover of the Cash Market in the first quarter of 2011, market data fees fell marginally as certain Cash Market data fees charged on a per quote basis were down from the same period in 2010.

(D) Other Revenue

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m	Change
Network, terminal user, dataline and software sub-license fees	101	85	19%
Participants' subscription and application fees	9	9	0%
Trading booth user fees	4	4	0%
Sales of Trading Rights	7	4	75%
Miscellaneous revenue	6	6	0%
Total	127	108	18%

In tandem with the increase in market activities and a bandwidth upgrade, network, terminal user, dataline and software sub-license fees rose mainly due to an increase in Cash Market trading system line rental income and sales of hardware and software, and higher Derivatives Market trading system sub-license fees.

(E) Net Investment Income

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m	Change
Gross investment income	112	126	(11%)
Interest rebates to Participants	(1)	(1)	0%
Net investment income	111	125	(11%)

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

	Three months ended 31 Mar 2011 \$bn	Three months ended 31 Mar 2010 \$bn	Change
Corporate Funds	10.4	9.2	13%
Cash collateral	4.4	3.6	22%
Margin Funds	26.3	22.3	18%
Clearing House Funds	2.9	2.0	45%
Total	44.0	37.1	19%

The average amount of Corporate Funds increased due to a rise in retained earnings as 10 per cent of the profit is retained under the current dividend payout policy, and the profit generated in the second half of 2010 was higher than that in the corresponding period of the previous year, the related dividend of which was not distributed until the second quarter of the following year.

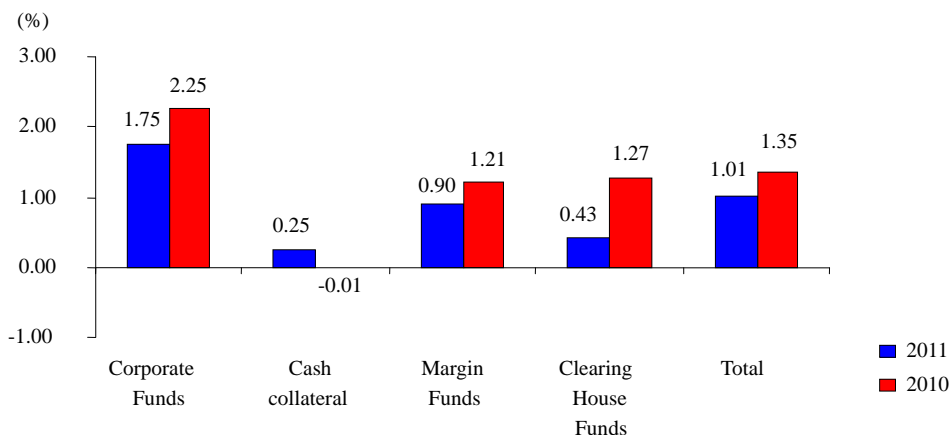
The increase in the average amount of Margin Funds during the period was mainly caused by the higher margin rate required per contract and increases in open position.

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

The lower net investment income was primarily attributable to the drop in fair value gains of investments measured at fair value, reflecting market movements, but the decrease was partly offset by higher interest income across all Funds due to increases in bank deposit rates.

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

Annualised Net Return on Funds Available for Investment



The lower net returns of the Corporate Funds, Margin Funds and Clearing House Funds were mainly attributable to the drop in net fair value gains of investments measured at fair value (including certain principal-guaranteed structured notes and principal-guaranteed structured deposits) during the first quarter of 2011. However, declines in net fair value gains of investments of the Funds were partly offset by increases in interest income.

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

The gross returns of all the funds in the first quarter of 2011 and 2010 were similar to their net returns as very small interest rebates (mainly at savings rates) were paid to Participants under the low interest rate environment.

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

Operating Expenses

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m	Change
Staff costs and related expenses	244	209	17%
IT and computer maintenance expenses	72	64	13%
Premises expenses	52	53	(2%)
Product marketing and promotion expenses	4	3	33%
Legal and professional fees	10	2	400%
Depreciation	26	27	(4%)
Other operating expenses	34	27	26%
Total	442	385	15%

Staff costs and related expenses increased by \$35 million, primarily due to higher salary costs as a result of a 5 per cent increase in headcount (from 841 at 31 March 2010 to 882 at 31 March 2011) for undertaking various new initiatives under the Strategic Plan 2010-2012 and salary adjustments to keep up with the market trend, an increase in employee share-based compensation expenses from the Awarded Shares granted in 2010, and an increase in performance bonus accrual on account of improved performance of the Group in the first quarter of 2011.

IT and computer maintenance expenses consumed by the Group (ie, excluding costs of services and goods directly consumed by the Participants of \$37 million (2010: \$29 million)) were \$35 million (2010: \$35 million). The rise in costs of services and goods directly consumed by the Participants was caused by the increase in Cash Market trading system line rentals due to bandwidth upgrade and purchases of hardware and software for replacement of obsolete items incurred by the Participants. Costs of services and goods directly consumed by Participants are mostly recovered from the Participants and the income is included as part of the network, terminal user, dataline, and software sub-license fees under Other Revenue.

Legal and professional fees increased mainly due to the development of the OTC clearing business and other initiatives.

The increase in other operating expenses was mainly on account of the fees for additional bank credit facilities for strengthening the Group's liquidity and risk management measures and sundry increases in other expenses.

Taxation

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m	Change
Taxation	227	202	12%

Taxation increased mainly due to an increase in profit before taxation.

Working Capital

Working capital increased by \$1,144 million or 18 per cent to \$7,518 million at 31 March 2011 (31 December 2010: \$6,374 million). The increase was primarily due to the profit generated during the quarter ended 31 March 2011 of \$1,238 million, the drop in non-current financial assets of \$22 million and the increase in other working capital of \$26 million, but was partly offset by the increase in fixed assets of \$142 million.

Capital Expenditures and Capital Commitments

During the first quarter of 2011, the Group incurred capital expenditures of \$168 million (2010: \$5 million) which were mainly on the NGDC at Tseung Kwan O with hosting service capability and the upgrade of the Cash Market trading system and Market Datafeed system.

The Group's capital expenditure commitments at 31 March 2011, including those authorised by the Board but not yet contracted for, amounted to \$1,921 million (31 December 2010: \$2,075 million) and were mainly related to the construction of the NGDC at Tseung Kwan O, the upgrade and enhancement of trading and clearing systems and other new business initiatives. The Group has adequate internal resources to fund its capital expenditure commitments.

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 have been used to hedge the currency exposure of the Group's non-HKD investments to mitigate risks arising from fluctuations in exchange rates.

At 31 March 2011, the aggregate net open foreign currency positions amounted to HK\$2,035 million, of which HK\$374 million were non-USD exposures (31 December 2010: HK\$2,401 million, of which HK\$375 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK\$3,853 million (31 December 2010: HK\$3,749 million). All forward foreign exchange contracts would mature within 2 months (31 December 2010: 2 months).

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

Contingent Liabilities

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 2010.

Changes since 31 December 2010

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 2010.

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 of 2011 (first quarter of 2010: \$Nil).

Due to fluctuations in market conditions and changes in the 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.

Review of Accounts

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2011 in conjunction with HKEx's external auditor.

The external auditor has carried out certain agreed-upon procedures in accordance with the 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 2011.

OPERATIONAL REVIEW

Organisational Change

The resignation of Mr Eric Yip, Deputy Chief Operating Officer, took effect at the end of March 2011. The Company thanked Mr Yip for his valuable contributions during his seven years of service. The updated organisation chart is posted on the HKEx website.

Corporate Governance

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

As of 15 February 2011, the Global and Home Market Ratings assigned to HKEx by GovernanceMetrics International Inc, a corporate governance ratings and research firm, were 8 and 10 respectively, out of the maximum of 10. On 31 March 2011, HKEx and its Chief Executive, Mr Charles Li, received the Best Investor Relations (Hong Kong Company) and Asia's Best CEO (Investor Relations) awards respectively in the 1st Asian Excellence Recognition Awards 2011 from *Corporate Governance Asia*.

As part of the Company's commitment to best corporate governance (CG) practices, HKEx appointed a consultant to conduct an independent evaluation of the performance of the Board and its committees in October 2010. The consultant concluded that the Board, its committees, and its members function well and there are no major areas of concern. HKEx will conduct a Board performance evaluation annually and an independent evaluation once every three years.

Taking into account the consultant's recommendation from the Board performance evaluation and the Exchange's proposed changes to the CG Code, the Board has resolved to: (i) restructure its CSR Committee to become the ESG Committee and revise its terms of reference (TOR) to include the proposed CG functions of the Company; and (ii) establish a Shareholders Communication Policy to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable them to exercise their rights in an informed manner, and to allow them to engage actively with the Company. The updated TOR of the ESG Committee together with the newly established Shareholders Communication Policy are available on the HKEx website.

At the 2011 AGM, Shareholders approved the Board's proposal to amend HKEx's Articles, which are related to (i) HKEx's corporate communications; (ii) the notice period for Shareholders' nomination of Directors; and (iii) minor housekeeping changes. The revised Articles are subject to the SFC's written approval pursuant to Section 67 of the SFO.

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

CSR Development

HKEx continues to be a Caring Company awarded by The Hong Kong Council of Social Service, and included in the Dow Jones Sustainability Asia Pacific Index, the FTSE4Good Index Series, and the Hang Seng Corporate Sustainability Index Series.

HKEx's 2010 CSR Report, which gives an account of the Company's CSR performance during 2010 and achieved the Global Reporting Initiative application level A+, has been published on the HKEx website since 14 March this year to facilitate easy access by a wider group of stakeholders and to help reduce paper consumption.

In the first quarter of 2011, HKEx continued its commitment to promoting CSR within and outside the Company by taking a number of initiatives, namely (i) a CSR briefing for HKEx's key suppliers to facilitate the implementation of the Company's supply chain management system; (ii) talks for HKEx's employees by the Equal Opportunities Commission and the Office of the Privacy Commissioner for Personal Data of Hong Kong to increase their knowledge of anti-discrimination and personal data protection respectively; (iii) participation in the Earth Hour 2011 organised by the WWF, and the Tree Planting Challenge 2011 organised by the Friends of the Earth (HK); and (iv) the HKEx Volunteer Team's participation in community services for underprivileged children and the elderly in Hong Kong, and fundraising activities for illiterate women in rural China. Moreover, in recognition of the Company's contribution of over 1,000 volunteer service hours to the Big Brothers and Sisters Mentoring Programme in 2010, HKEx received the Corporate Volunteer Team Excellence Award 2010 from The Boys' and Girls' Clubs Association of Hong Kong in March 2011.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m
Trading fees and trading tariff		765	653
Stock Exchange listing fees		246	221
Clearing and settlement fees		418	365
Depository, custody and nominee services fees		72	73
Market data fees		168	169
Other revenue	3	127	108
REVENUE AND TURNOVER		1,796	1,589
Investment income		112	126
Interest rebates to Participants		(1)	(1)
Net investment income	4	111	125
	2	1,907	1,714
OPERATING EXPENSES			
Staff costs and related expenses		244	209
IT and computer maintenance expenses		72	64
Premises expenses		52	53
Product marketing and promotion expenses		4	3
Legal and professional fees		10	2
Depreciation		26	27
Other operating expenses		34	27
	2	442	385
PROFIT BEFORE TAXATION	2	1,465	1,329
TAXATION	5	(227)	(202)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		1,238	1,127
Basic earnings per share	6(a)	\$1.15	\$1.05
Diluted earnings per share	6(b)	\$1.15	\$1.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	At 31 March 2011			At 31 Dec 2010		
		Current \$m	Non- current \$m	Total \$m	Current \$m	Non- current \$m	Total \$m
ASSETS							
Cash and cash equivalents	7	22,352	-	22,352	19,361	-	19,361
Financial assets measured at fair value							
through profit or loss	7	9,916	1,239	11,155	9,949	1,241	11,190
Financial assets measured at amortised cost	7	7,981	763	8,744	7,021	783	7,804
Accounts receivable, prepayments and deposits	7, 8	17,104	5	17,109	9,203	3	9,206
Fixed assets		-	437	437	-	295	295
Lease premium for land		-	25	25	-	25	25
Deferred tax assets		-	4	4	-	3	3
Total assets		57,353	2,473	59,826	45,534	2,350	47,884
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits from Clearing Participants on derivatives contracts		22,289	-	22,289	22,702	-	22,702
Cash collateral from HKSCC Clearing Participants		6,304	-	6,304	3,594	-	3,594
Accounts payable, accruals and other liabilities	9	18,276	-	18,276	9,946	-	9,946
Deferred revenue		444	-	444	473	-	473
Taxation payable		329	-	329	320	-	320
Other financial liabilities		83	-	83	58	-	58
Participants' contributions to Clearing House							
Funds		2,080	-	2,080	2,039	-	2,039
Provisions		30	28	58	28	29	57
Deferred tax liabilities		-	29	29	-	18	18
Total liabilities		49,835	57	49,892	39,160	47	39,207
Equity							
Share capital				1,078			1,078
Share premium				418			416
Shares held for Share Award Scheme				(220)			(219)
Employee share-based compensation reserve				74			56
Designated reserves				581			580
Retained earnings	10			8,003			6,766
Shareholders' funds				9,934			8,677
Total liabilities and equity				59,826			47,884
Net current assets				7,518			6,374
Total assets less current liabilities				9,991			8,724

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated accounts should be read in conjunction with the 2010 annual accounts. The accounting policies and methods of computation used in the preparation of these accounts and segment information are consistent with those used in the annual accounts and segment information for the year ended 31 December 2010.

2. Operating Segments

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

The Group has 4 reportable segments. The segments are managed separately as each business offers different products and services and requires different IT 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, CBBCs and warrants. Currently, the Group operates 2 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. 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 providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Clearing House Funds.

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

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

	Three months ended 31 Mar 2011				
	Cash Market \$m	Derivatives Market \$m	Clearing Business \$m	Market Data \$m	Group \$m
Income from external customers	888	207	532	169	1,796
Net investment income	22	67	22	-	111
	910	274	554	169	1,907
Operating expenses					
Direct costs	163	43	85	17	308
Indirect costs	68	19	38	9	134
	231	62	123	26	442
Reportable segment profit before taxation	679	212	431	143	1,465

	Three months ended 31 Mar 2010				
	Cash Market \$m	Derivatives Market \$m	Clearing Business \$m	Market Data \$m	Group \$m
Income from external customers	773	177	469	170	1,589
Net investment income	28	76	21	-	125
	801	253	490	170	1,714
Operating expenses					
Direct costs	154	40	77	14	285
Indirect costs	50	14	29	7	100
	204	54	106	21	385
Reportable segment profit before taxation	597	199	384	149	1,329

3. Other Revenue

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m
Network, terminal user, dataline and software sub-license fees	101	85
Participants' subscription and application fees	9	9
Trading booth user fees	4	4
Sales of Trading Rights	7	4
Miscellaneous revenue	6	6
	127	108

4. Net Investment Income

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m
Gross interest income	41	22
Interest rebates to Participants	(1)	(1)
Net interest income	40	21
Net fair value gains and interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	69	102
Others	2	2
Net investment income	111	125

5. Taxation

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

	Three months ended 31 Mar 2011 \$m	Three months ended 31 Mar 2010 \$m
Provision for Hong Kong Profits Tax at 16.5% (2010: 16.5%)	217	205
Deferred taxation	10	(3)
	227	202

6. Earnings Per Share

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

(a) Basic earnings per share

	Three months ended 31 Mar 2011	Three months ended 31 Mar 2010
Profit attributable to shareholders (\$m)	1,238	1,127
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,076,497	1,075,800
Basic earnings per share (\$)	1.15	1.05

(b) Diluted earnings per share

	Three months ended 31 Mar 2011	Three months ended 31 Mar 2010
Profit attributable to shareholders (\$m)	1,238	1,127
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,076,497	1,075,800
Effect of employee share options (in '000)	1,256	2,668
Effect of Awarded Shares (in '000)	1,401	564
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,079,154	1,079,032
Diluted earnings per share (\$)	1.15	1.04

7. Financial Assets

The Group's financial assets comprised financial assets of the Clearing House Funds, Margin Funds, cash collateral and Corporate Funds. The amounts attributable to the respective Funds were as follows:

	At 31 Mar 2011 \$m	At 31 Dec 2010 \$m
<u>Clearing House Funds</u>		
Cash and cash equivalents	2,201	2,155
Financial assets measured at fair value through profit or loss	359	359
Financial assets measured at amortised cost	130	130
	2,690	2,644
<u>Margin Funds</u>		
Cash and cash equivalents	11,704	12,418
Financial assets measured at fair value through profit or loss	5,897	5,954
Financial assets measured at amortised cost	4,677	4,323
Accounts receivable, prepayments and deposits	11	7
	22,289	22,702
<u>Cash collateral</u>		
Cash and cash equivalents	5,802	2,843
Financial assets measured at amortised cost	502	751
	6,304	3,594
<u>Corporate Funds</u>		
Cash and cash equivalents	2,645	1,945
Financial assets measured at fair value through profit or loss	4,899	4,877
Financial assets measured at amortised cost	3,435	2,600
	10,979	9,422
	42,262	38,362

8. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's Continuous Net Settlement money obligations receivable under the T+2 settlement cycle, which accounted for 95 per cent (31 December 2010: 90 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within 2 days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within 3 months.

9. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's Continuous Net Settlement money obligations payable, which accounted for 89 per cent (31 December 2010: 83 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement 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.

10. Retained Earnings (Including Proposed Dividend)

	2011	2010
	\$m	\$m
At 1 Jan	6,766	6,021
Profit for the period/year	1,238	5,037
Transfer to Clearing House Funds reserves	(1)	(17)
Dividends:		
2009 final dividend	-	(2,251)
2010 interim dividend	-	(2,034)
Unclaimed dividend forfeited	-	16
Vesting of shares of Share Award Scheme	-	(6)
At 31 Mar 2011/31 Dec 2010	8,003	6,766
Representing:		
Retained earnings	5,516	4,280
Proposed dividend	2,487	2,486
At 31 Mar 2011/31 Dec 2010	8,003	6,766

PURCHASE, SALE OR REDEMPTION OF HKE_x'S LISTED SECURITIES

During the three months ended 31 March 2011, neither HKE_x 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 16,900 HKE_x shares at a consideration of about \$2.9 million.

PUBLICATION OF RESULTS AND QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2011

This results announcement is published on the HKE_xnews website at www.hkexnews.hk and the HKE_x website at www.hkex.com.hk/eng/exchange/invest/results/2011Results.htm. The Quarterly Report for the three months ended 31 March 2011 will be available on the HKE_xnews and HKE_x websites, and despatched to Shareholders on or about Wednesday, 25 May 2011.

BOARD OF DIRECTORS

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

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

As at the date of this announcement, the Board comprises 12 Independent Non-executive Directors, namely Mr Ronald Joseph ARCULLI (Chairman), Mrs CHA May-Lung, Laura, Mr CHAN Tze Ching, Ignatius, Dr CHENG Mo Chi, Moses, Mr John Barrie HARRISON, Mr HUI Chiu Chung, Stephen, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mr LEE Tze Hau, Michael, Mr John Estmond STRICKLAND, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKE_x's Chief Executive.

Hong Kong, 11 May 2011

GLOSSARY

2011 AGM	Annual general meeting held on 20 April 2011
AMS/3	The Automatic Order Matching and Execution System/Third Generation
Awarded Shares	Shares awarded under the Share Award Scheme
Board	HKEx's Board of Directors
CBBC(s)	Callable Bull/Bear Contract(s)
CCASS	The Central Clearing and Settlement System
CG Code	Code on Corporate Governance Practices
CPs	Clearing Participants
CSR	Corporate Social Responsibility
DCASS	The Derivatives Clearing and Settlement System
Director(s)	HKEx's Director(s)
DW(s)	Derivative Warrant(s)
eIPO	Electronic IPO
EP(s) or Participant(s)	Exchange Participant(s)
ETF(s)	Exchange Traded Fund(s)
Exchange or Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
Financial Secretary	Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
GEM	The Growth Enterprise Market
Government Appointed Directors	Directors appointed by the Financial Secretary pursuant to Section 77 of the SFO
Group	HKEx and its subsidiaries
HKATS	The Hong Kong Futures Automated Trading System
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKEx's Articles	HKEx's Articles of Association
HKSCC	Hong Kong Securities Clearing Company Limited
Hong Kong Government	Government of the Hong Kong Special Administrative Region of the People's Republic of China
H-shares Index or HSCEI	Hang Seng China Enterprises Index
HSI	Hang Seng Index
IPs	Investor Participants
IPO(s)	Initial Public Offering(s)
IT	Information Technology
IVs	Information Vendors
Listing Rules or Rule	Main Board Listing Rules and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MDS	The Market Data System
OTC	Over-the-counter
PRS	The Price Reporting System
REIT(s)	Real Estate Investment Trust(s)
RMB	Renminbi
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance

Shareholders	HKEx's shareholders
Share Award Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006 and 13 May 2010
USD	United States dollar
\$/HKD	Hong Kong dollar
\$bn	Hong Kong dollar in billion
\$m	Hong Kong dollar in million