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

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

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

2006 Interim Results

The Directors of Hong Kong Exchanges and Clearing Limited ("HKEx") submit the unaudited consolidated results of HKEx and its subsidiaries ("Group") for the six months ended 30 June 2006 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 Jun 2006	Six months ended 30 Jun 2005		Change
KEY MARKET STATISTICS				
Average daily turnover value on the Stock Exchange	**$32.6 billion**	$16.9 billion		93%
Average daily number of derivatives contracts traded on the Futures Exchange	**97,471**	62,681		56%
Average daily number of stock options contracts traded on the Stock Exchange	**63,411**	25,206		152%
	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000		
RESULTS				
Income	**1,895,248**	1,238,465		53%
Operating expenses	**596,488**	570,518		5%
Operating profit	**1,298,760**	667,947		94%
Share of profits less losses of associates	**9,252**	8,635		7%
Profit before taxation	**1,308,012**	676,582		93%
Taxation	**(199,701)**	(105,786)		89%
Profit attributable to shareholders	**1,108,311**	570,796		94%
Basic earnings per share	**$1.04**	$0.54		93%
Diluted earnings per share	**$1.03**	$0.54		91%
Interim dividend declared per share	**$0.94**	$0.49		92%
Dividend payout ratio	**90%**	91%		N/A
	Unaudited at 30 Jun 2006 $'000	As restated Audited at 31 Dec 2005 $'000		
KEY BALANCE SHEET ITEMS				
Shareholders' funds	**4,820,831**	4,337,471	Φ	11%
Total assets *	**30,119,617**	22,930,916	Φ	31%
Net assets per share #	**$4.53**	$4.09	Φ	11%

Φ Audited and restated (shareholders' funds down by $30 million, total assets down by $30 million and net assets per share down by $0.02) due to the adoption of a revised Hong Kong Financial Reporting Standard

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

Based on 1,063,883,346 shares as at 30 June 2006, being 1,064,853,346 shares issued and fully paid less 970,000 shares held for the Share Award Scheme (31 December 2005: 1,061,796,846 shares, being 1,062,754,846 shares issued and fully paid less 958,000 shares held for the Share Award Scheme)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing

- On 7 July 2006, HKEx published the Exposure Conclusion on the "Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters", including the related amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (collectively the "Listing Rules"). A six-month transitional period, which is currently expected to commence at least six months after the publication of the Exposure Conclusion, will be introduced before total abolition of the requirement to publish paid announcements. During the transitional period, issuers will have to publish a notification of the announcements in newspapers and post the full version on the HKEx website and their own websites. A Main Board issuer without its own website must publish the full announcement in newspapers as well as on the HKEx website.

- In February 2006, HKEx announced the conclusions to its consultation regarding a new structure for listing decision-making and the Listing Rules amendments for implementing the first phase changes. The Listing Rules amendments, which became effective in February and May 2006, included inter alia, an expansion of the Listing Committee and the GEM Listing Committee to at least 28 members and an increase in the number of investor representatives to at least eight. The second phase will commence subject to the conclusion on giving statutory backing to part of the Listing Rules.

- In April 2006, the Securities and Futures Commission ("SFC") concluded its further consultation regarding the regulation of sponsors and compliance advisers and announced that amendments to its licensing and monitoring regimes for sponsors and compliance advisers would take effect from 1 January 2007. HKEx is considering corresponding Listing Rules amendments to remove any regulatory overlap, and will make an announcement on proposed rule changes later this year.

- Following the publication of the discussion paper on the Growth Enterprise Market ("GEM") in January 2006, a summary of the 16 submissions was posted on the HKEx website in July 2006. The recommendations in the submissions are being analysed.

- With the establishment of the China Affairs Team in February 2006, training seminars on regulatory and corporate governance issues were organised for the Hong Kong-listed Mainland enterprises in Beijing in May and June 2006. A series of workshops will be held in Beijing on a regular basis.

Cash Market

- In the first half of 2006, 22 companies were newly listed on the Main Board and four on the GEM. Total capital raised, including post-listing funds, reached $195.6 billion. Total market capitalisation exceeded $10,000 billion on 3 May 2006. As at 30 June 2006, 948 and 200 companies were listed on the Main Board and the GEM respectively with a total market capitalisation of about $9,840 billion. In addition, there were 1,481 derivative warrants, eight Exchange Traded Funds, four Real Estate Investment Trusts and 174 debt securities listed as at the end of June 2006. Average daily turnover in the first half of 2006 was about $32.4 billion on the Main Board and about $199 million on the GEM.

- Following the re-opening of the refurbished Trading Hall in January 2006, the grand opening of the Exchange Trading and Exhibition Hall Complex was officiated by the Honourable Donald Tsang, the Chief Executive of Hong Kong, on 26 April 2006. The Exhibition Hall has been open to the public since 15 May 2006.

- In May 2006, HKEx introduced a new web-based Derivative Warrant Resource Centre which supports the SFC's initiatives on investor education and information dissemination contained in its Six-Point Plan Report published in March this year.

- The maximum number of outstanding orders per price queue in the Third Generation Automatic Order Matching and Execution System ("AMS/3") was increased from 4,000 to 8,000 effective 29 May 2006.

- In June 2006, HKEx's Board of Directors ("Board") approved the progressive implementation of reduced minimum securities trading spreads in two phases. Phase 2A, which was implemented on 24 July 2006, covers securities priced between $2 and $20 while Phase 2B covers securities priced between $0.25 and $2. HKEx will monitor the results of Phase 2A and proceed with Phase 2B in the first quarter of 2007 if no systemic problems are noted.

- The first batch of Callable Bull/Bear Contracts ("CBBCs") was listed on 12 June 2006, and a total of 11 CBBCs were listed as at the end of June 2006. A total turnover volume of 277 million units and a turnover value of $204 million were recorded since roll-out to the end of June 2006. A dedicated CBBC section on the HKEx website has been constructed.

Derivatives Market

- In the first half of 2006, various products achieved record high in terms of daily volume and open interest.

- Upon the capacity upgrade of the Hong Kong Futures Automated Trading System ("HKATS") in January 2006, the capacity of the host system to handle order book changes has more than doubled. A revision of the existing throughput arrangement was completed in June 2006 enabling the assignment of sufficient throughput rate to each market maker to provide continuous quotes in a large number of series.

- A new position limit for stock options was introduced on 10 February 2006. The standard combination order function previously used in futures trading on the Derivatives Market has been extended to Hang Seng Index Options as of March 2006.

- On 31 March 2006, HKEx introduced three additional long-dated contract months to Hang Seng Index Options with maximum maturities up to 3.5 years and three new long-dated contract months to H-shares Index Options contracts with maximum maturities up to 2.5 years.

- Market maker obligations in various aspects in the stock options market have been revised effective 3 July 2006.

- Seminars were held at HKEx's Beijing Representative Office and in Shanghai in April and August 2006 respectively to assist Mainland securities and futures brokers in their preparation to apply for exchange participantship.

- HKEx participated in the "Derivatives & Securities World – London" as an exhibitor in June 2006 to promote HKEx as an international marketplace for trading China-related futures and options.

Clearing

- The scrip fee assessed on deemed book close dates was eliminated effective 1 January 2006.

- The waiver of the Short Message Service fee and the dormant account fee for Investor Participant ("IP") account services has been extended for one year from 30 June 2006 to 30 June 2007.

- Various nominee services provided by Hong Kong Securities Clearing Company Limited ("HKSCC") have been improved since 3 January 2006.

- Effective 3 January 2006, no less than 50 per cent of the total margin requirement of any participant of HKFE Clearing Corporation Limited ("HKCC") and The SEHK Options Clearing House Limited ("SEOCH") must be in the form of cash and denominated in the relevant currency.

- HKEx is preparing for the implementation of the Five-Day Clearing Week initiative. The Central Clearing and Settlement System ("CCASS") Participants will be notified of the relevant changes to the securities settlement and nominee-related services currently occurring on Saturdays in due course.

- Upon admission of the National Council for Social Security Fund of the People's Republic of China ("NCSSF") to CCASS as a Corporate IP in March 2006, state-owned shares received by the NCSSF under the State Council's Provisional Measures on Management over the Reduction of State Shares to Raise Social Security Funds can be deposited into CCASS. Further relaxation to IP admission has been extended to Macau residents and incorporated companies since 5 June 2006.

- Partial recovery of the debts owed by Tai Wah Securities Limited, which is now in liquidation, has been made and there is an outstanding balance of about $1.8 million. Recovery from the HKSCC Guarantee Fund will be made should there be any outstanding balance upon completion of the liquidation process. Moreover, HKCC will file a proof of debt against the assets of Yicko Futures Limited, which is also in the process of liquidation. Any deficiencies not recoverable from the liquidation process will be claimed from the HKCC Reserve Fund.

- The SFC issued a restriction notice on Whole Win Securities Limited ("Whole Win") in May 2006. All outstanding positions were settled in an orderly manner without loss and the cash collateral withheld by HKSCC was duly returned to Whole Win's administrator. Moreover, upon issuance of a restriction notice by the SFC on Tiffit Securities (Hong Kong) Limited ("Tiffit") and Wing Yip Company Limited ("Wing Yip") in July and August 2006 respectively, HKSCC declared each of them a defaulter and closed out all their unsettled positions in CCASS. The settlement of Tiffit's positions left an overall net surplus which was duly returned to its administrators whereas the settlement of Wing Yip's positions left an overall deficit which was offset by the collateral withheld by HKSCC.

Business Development

- HKEx participated in various events to promote Hong Kong listing to prospective Mainland issuers including a conference co-hosted with the Nanchang Municipal Government, the Pan-Pearl River Delta Region Financial Services Forum and two conferences co-organised with the Hebei and Anhui provincial governments.

- To promote local listing to other Asian companies, HKEx held a local conference in collaboration with the Korean Chamber of Commerce for Korean companies and a seminar with an international accounting firm for Japanese companies and financial institutions in May and June 2006 respectively and participated in various conferences held in Japan, South Korea, Taiwan and Thailand.

- In May 2006, HKEx participated in a training programme on corporate governance held in conjunction with The Hong Kong Polytechnic University and the Hong Kong and Macao Affairs Office of the State Council for the senior management of Mainland issuers.

Information Services

- The number of HKEx's real-time information vendors increased from 94 to 97, covering all the major markets in the world.

- The HKEx Fact Book 2005 on the developments in the Cash and Derivatives Markets in Hong Kong was published in early March 2006.

Information Technology

- Up to the end of June 2006, all major trading, clearing and settlement and market data dissemination systems for the Cash and Derivatives Markets maintained 100 per cent operational system uptime.

- The capacity and performance of the AMS/3, HKATS, Derivatives Clearing and Settlement System ("DCASS") and Price Reporting System were further upgraded.

- The throttle rates of the securities and derivatives datafeeds have been increased to 384 kilobit per second and 250 messages per second ("mps") (150 mps for datafeed without price depth) respectively.

- The capacity of the HKEx website infrastructure was also upgraded.

- All the HKATS and DCASS Network Gateways in Participants' premises have been upgraded to the latest version.

- The upgrade of the middle-tier system software for the Latest Generation of the Central Clearing and Settlement System ("CCASS/3") is in progress and expected to be completed by the second half of 2006.

- The upgrade of the AMS/3 Open Gateway and Multi-workstation hardware and system software is being conducted in batches until the second quarter of 2007.

- All the CCASS/3 circuits were successfully migrated to the SDNet, a new Optical Ethernet network, in June 2006. Starting from July 2006, the majority of Clearing Participants will enjoy network cost saving of about 20 per cent. Planning for the AMS/3 and Market Datafeed circuit migration to the SDNet is in progress.

- A feasibility study on improving the AMS/3 performance throughput to explore practical ways to realise the benefits of the technological advancement of the HP Non-stop platform and prepare for the migration of AMS/3 to a higher version of server technology is in progress and expected to be completed in the second half of 2006.

- HKEx has completed the Phase 1 redevelopment of the Derivatives Market risk management systems and proceeded with the Phase 2 work, which will be completed in batches starting from late 2006 until mid-2007.

- Integration of the Cash and Derivatives Markets' participant information systems and development of finance management information systems commenced during the period.

Treasury

- The Group's investment fund size as at 30 June 2006 increased by 12 per cent or $2.8 billion to $25.3 billion (31 March 2006: $22.5 billion). Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the Clearing House Funds and Margin Funds. Credit exposure is well diversified. The bond portfolio had a weighted average credit rating of Aa2 (31 March 2006: Aa2) and a weighted average maturity of 1.0 year (31 March 2006: 1.5 years). Risk management techniques, such as Value-at-Risk and portfolio stress testing, are used. Investment income for the six months ended 30 June 2006 increased by 78 per cent against that for the same period last year.

Investments in Associates

- As at 30 June 2006, the Group had a 30 per cent interest in Computershare Hong Kong Investor Services Limited ("CHIS").

- The Group received liquidation proceeds in respect of ADP Wilco Processing Services Limited ("AWPS") amounting to $1.3 million which were marginally higher than the book value of the investment. AWPS was dissolved in July 2006.

FINANCIAL REVIEW

Overall Performance

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000
RESULTS		
Income:		
Income affected by market turnover	**1,157,097**	658,724
Stock Exchange listing fees	**213,405**	195,572
Income from sale of information	**183,857**	162,245
Investment income	**216,922**	122,073
Other income	**123,967**	99,851
	1,895,248	1,238,465
Operating expenses	**596,488**	570,518
Operating profit	**1,298,760**	667,947
Share of profits less losses of associates	**9,252**	8,635
Profit before taxation	**1,308,012**	676,582
Taxation	**(199,701)**	(105,786)
Profit attributable to shareholders	**1,108,311**	570,796
Basic earnings per share	**$1.04**	$0.54
Diluted earnings per share	**$1.03**	$0.54
Interim dividend declared per share	**$0.94**	$0.49
Dividend payout ratio	**90%**	91%

The Group recorded a profit attributable to shareholders of $1,108 million for the first six months of 2006 (first quarter: $479 million; second quarter: $629 million) compared with $571 million for the same period in 2005 (2005 first quarter: $245 million, 2005 second quarter: $326 million).

The increase in profit for the six months ended 30 June 2006 was primarily attributable to a rise in turnover-related income resulting from the significant increase in level of activities of the Cash and Derivatives Markets, and growth in investment income arising from an increase in fair value gains of Corporate Fund investments and higher interest income in 2006.

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

Income

(A) Income affected by market turnover

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	Change
Trading fees and trading tariff	**621,834**	352,615	76%
Clearing and settlement fees	**316,655**	172,427	84%
Depository, custody and nominee services fees	**218,608**	133,682	64%
Total	**1,157,097**	658,724	76%

The increase in trading fees and trading tariff was mainly due to the higher market turnover of the Cash and Derivatives Markets in the first six months of 2006 against that of the corresponding period last year.

Clearing and settlement fees were derived predominantly from Cash Market transactions. Despite being mostly ad valorem fees, clearing and settlement fees were subject to a minimum and a maximum fee per transaction. During the period, clearing and settlement fees did not increase linearly with the 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 2006.

Despite the abolition of scrip fees on deemed book close effective 1 January 2006 (2005 first six months deemed book close scrip fees: $17 million), depository, custody and nominee services fees increased due to higher scrip fees, stock withdrawal fees, corporate action fees and electronic Initial Public Offering ("eIPO") service handling charges. The fees were influenced by the level of Cash Market activities but did not move proportionately with changes in the Cash Market turnover as they varied mostly with the board lots rather than the value of the securities concerned and many were subject to a maximum fee. Moreover, scrip fee was only chargeable on the net increase in individual Participants' aggregate holdings of securities on book closing dates.

Key market indicators

	Six months ended 30 Jun 2006	Six months ended 30 Jun 2005	Change
Average daily turnover value on the Stock Exchange	**$32.6 billion**	$16.9 billion	93%
Average daily number of derivatives contracts traded on the Futures Exchange	**97,471**	62,681	56%
Average daily number of stock options contracts traded on the Stock Exchange	**63,411**	25,206	152%

(B) Stock Exchange listing fees

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	Change
Annual listing fees	**134,654**	131,356	3%
Initial and subsequent issue listing fees	**75,921**	60,394	26%
Others	**2,830**	3,822	(26%)
Total	**213,405**	195,572	9%

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

Key drivers for annual listing fees

	As at 30 Jun 2006	As at 30 Jun 2005	Change
Number of companies listed on the Main Board	**948**	901	5%
Number of companies listed on the GEM	**200**	203	(1%)
Total	**1,148**	1,104	4%

Key drivers for initial and subsequent issue listing fees

	Six months ended 30 Jun 2006	Six months ended 30 Jun 2005	Change
Number of newly listed derivative warrants	**1,112**	679	64%
Number of newly listed companies on the Main Board	**22**	19	16%
Number of newly listed companies on the GEM	**4**	2	100%
Total equity funds raised on the Main Board	**$189.1 billion**	$123.2 billion	53%
Total equity funds raised on the GEM	**$6.5 billion**	$1.6 billion	306%

(C) Income from sale of information

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	Change
Income from sale of information	**183,857**	162,245	13%

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

(D) Investment income

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	Change
Investment income	**216,922**	122,073	78%

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

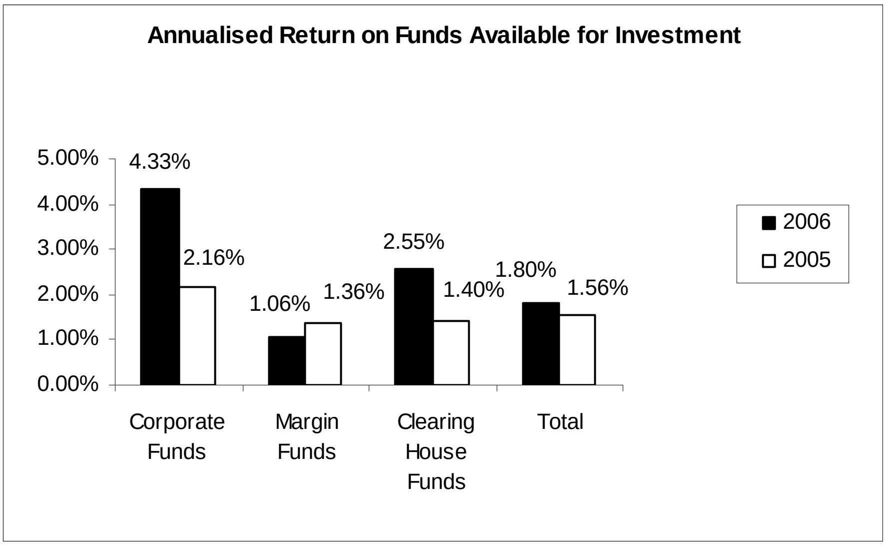
	Six months ended 30 Jun 2006 $ billion	Six months ended 30 Jun 2005 $ billion	Change
Corporate Funds	**4.6**	3.9	18%
Margin Funds	**17.7**	10.2	74%
Clearing House Funds	**1.8**	1.5	20%
Total	**24.1**	15.6	54%

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

The increase in average amount of Margin Funds available for investment during the period was primarily due to the increased open interest in futures and options contracts.

The higher investment income was primarily due to the significant increase in interest income as a result of the increase in Margin Funds size and higher interest rates during the first six months of 2006 as compared with the corresponding period in 2005. The increase was however partly offset by a lower return on Margin Funds due to a significant increase in margin deposits denominated in Japanese Yen and a change in the benchmarked interest rate payable on cash margin deposits from 1 June 2005 onwards. In 2006, interest was paid on cash margin deposits based on saving rates. Prior to 1 June 2005, interest was not always paid to Participants as the interest rates payable on the cash margin deposits were often lower than the retention rates charged by HKCC and SEOCH on such cash margin deposits. Moreover, there was an increase in fair value gains of the Corporate Fund investments, reflecting market movements, during the first half of 2006.

The performance of funds available for investment during the period was as follows:



(E) Other income

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	Change
Network, terminal user, dataline and software sub-license fees	**77,928**	66,134	18%
Participants' subscription and application fees	**17,016**	17,282	(2%)
Brokerage on direct IPO applications	**17,104**	6,188	176%
Trading booth user fees	**4,371**	-	N/A
Fair value gain of an investment property	**1,000**	2,600	(62%)
Accommodation income	**820**	1,494	(45%)
Miscellaneous income	**5,728**	6,153	(7%)
Total	**123,967**	99,851	24%

Network, terminal user, dataline and software sub-license fees increased due to the increase in open gateway and AMS/3 terminal user and installation fees and sales of additional throttles.

Accommodation income (i.e. retention interest charged on cash margin deposits in non-contract settlement currencies and securities deposited by Participants as alternatives to cash deposits of the Margin Funds) decreased as accommodation charges on cash margin deposits were abolished and accommodation fees on utilised non-cash collateral charged by HKCC and SEOCH were reduced from 1.2 per cent and 2 per cent respectively to 0.5 per cent from 1 June 2005 onwards.

Operating Expenses

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	Change
Staff costs and related expenses	**323,918**	282,762	15%
Information technology and computer maintenance expenses	**93,801**	99,063	(5%)
Premises expenses	**57,574**	39,946	44%
Product marketing and promotion expenses	**6,453**	5,533	17%
Legal and professional fees	**6,629**	6,592	1%
Depreciation	**50,260**	85,680	(41%)
Other operating expenses	**57,853**	50,942	14%
Total	**596,488**	570,518	5%

Staff costs and related expenses rose by $41 million, primarily due to the increase in salary costs and provident fund contributions as a result of the increase in headcount and salary adjustments in 2006, and an increase in performance bonus accruals on account of the improved performance of the Group. Employee share-based compensation costs also rose due to the amortisation of the fair value of shares granted under the Employees' Share Award Scheme ("Share Award Scheme") in December 2005.

Information technology and computer maintenance expenses of the Group, after excluding goods and services directly consumed by Participants of $28 million (2005: $26 million), were $66 million (2005: $73 million). The reduction was mainly due to lower license fees and network costs. The costs directly consumed by Participants were recovered from the Participants and the income was included as part of network, terminal user, dataline and software sub-license fees under Other Income. During the period under review, capital expenditures on computer systems, hardware and software amounted to $5 million (2005: $11 million).

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

Product marketing and promotion expenses increased due to promotional activities relating to the opening of the new Exchange Trading and Exhibition Hall Complex.

Depreciation fell as certain fixed assets became fully depreciated.

Other operating expenses increased, mainly attributable to higher bank charges due to increased eIPOs, higher index licence fees as a result of the rise in derivatives transactions and the increase in impairment losses of trade receivables and loss on disposal of fixed assets arising from the renovation of the Trading Hall.

Share of Profits less Losses of Associates

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	Change
Share of profits less losses of associates	**9,252**	8,635	7%

Share of profits less losses of associates increased due to a six per cent increase in the interest in one of the associates, CHIS, since May 2005.

Taxation

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	Change
Taxation	**199,701**	105,786	89%

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

Comparison of 2006 second quarter performance with 2006 first quarter performance

	Unaudited Three months ended 30 Jun 2006 $'000	Unaudited Three months ended 31 Mar 2006 $'000
Income:		
Income affected by market turnover:		
Trading fees and trading tariff	**324,281**	297,553
Clearing and settlement fees	**162,035**	154,620
Depository, custody and nominee services fees	**177,505**	41,103
	663,821	493,276
Stock Exchange listing fees	**103,712**	109,693
Income from sale of information	**98,340**	85,517
Investment income	**103,963**	112,959
Other income	**71,285**	52,682
	1,041,121	854,127
Operating expenses	**303,961**	292,527
Operating profit	**737,160**	561,600
Share of profits less losses of associates	**6,032**	3,220
Profit before taxation	**743,192**	564,820
Taxation	**(113,720)**	(85,981)
Profit attributable to shareholders	**629,472**	478,839

Profit attributable to shareholders increased by $150 million to $629 million for the second quarter of 2006, compared with $479 million recorded in the first quarter of 2006. The improvement in profit was mainly due to the increase in depository, custody and nominee services fees, trading fees and trading tariff and other income but partly offset by the drop in Stock Exchange listing fees, investment income, the increase in operating expenses and taxation charge.

Depository, custody and nominee services fees rose significantly as a result of the increase in dividend collection and scrip fee income due to seasonal fluctuations, whereas trading fees and trading tariff, clearing and settlement fees and income from sale of information rose in tandem with the level of activities of the Cash and Derivatives Markets. In addition, other income of the Group rose on account of increased sales of additional throttles and higher brokerage on direct Initial Public Offering ("IPO") applications.

Key market indicators

	Three months ended 30 Jun 2006	Three months ended 31 Mar 2006	Change
Average daily turnover value on the Stock Exchange	**$34.1 billion**	$31.2 billion	9%
Average daily number of derivatives contracts traded on the Futures Exchange	**107,681**	87,755	23%
Average daily number of stock options contracts traded on the Stock Exchange	**65,038**	61,863	5%

Investment income dropped as a result of the decrease in fair value gains of Corporate Fund investments during the second quarter as compared to that of the first quarter, reflecting market movement, but was partly offset by the increase in interest income during the second quarter.

Operating expenses increased mainly as a result of higher premises expenses and the increase in staff compensation which includes performance bonus accruals on account of the improved performance of the Group in the second quarter.

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

Working Capital

Working capital rose by $481 million or 14 per cent to $3,838 million as at 30 June 2006 (31 December 2005: $3,357 million). The increase was primarily due to the profit generated during the period of $1,108 million and proceeds from issuing shares upon the exercise of employee share options of $24 million, which was partly offset by the payment of the 2005 final dividend of $681 million in May 2006, and the increase in other net current assets of $30 million.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes. As at 30 June 2006, the Group's total available banking facilities amounted to $1,611 million (31 December 2005: $1,608 million), of which $1,500 million (31 December 2005: $1,500 million) represented repurchase facilities to augment the liquidity of the Margin Funds.

Borrowings by the Group have been rare and are mostly event driven, with little seasonality. As at 30 June 2006 and 31 December 2005, the Group had no bank borrowings, and therefore had zero gearing.

The Group's capital expenditure commitments as at 30 June 2006 were mainly related to the ongoing investments in facilities and technology, and amounted to $85 million (31 December 2005: $137 million). The Group has adequate internal resources to fund its commitments on capital expenditures.

As at 30 June 2006, 96 per cent (31 December 2005: 99 per cent) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and time deposits within three months of maturity when acquired) were denominated in HKD or USD.

Charges on Assets

None of the Group's assets was pledged as at 30 June 2006 and 31 December 2005.

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 deposits have been used to hedge the currency exposure of the Group's non-HKD investments, highly probable forecast transactions and liabilities to mitigate risks arising from fluctuations in exchange rates.

As at 30 June 2006, the aggregate net open foreign currency positions amounted to HK$2,178 million, of which HK$213 million were non-USD exposures (31 December 2005: HK$2,031 million, of which HK$160 million were non-USD exposures), and the total nominal value of outstanding forward foreign exchange contracts amounted to HK$430 million (31 December 2005: HK$275 million). All forward foreign exchange contracts would mature within four months (31 December 2005: one month).

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

Contingent Liabilities

The judicial review of the case involving the Group and New World Development Company Limited and others was concluded in favour of the Group in April 2006.

Save as aforesaid, there were no other significant changes in the Group's contingent liabilities from the information disclosed in the annual report for the year ended 31 December 2005.

Changes since 31 December 2005

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2005.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**Unaudited Six months ended 30 Jun 2006 $'000**	Unaudited Six months ended 30 Jun 2005 $'000	**Unaudited Three months ended 30 Jun 2006 $'000**	Unaudited Three months ended 30 Jun 2005 $'000
INCOME	2				
Trading fees and trading tariff		**621,834**	352,615	**324,281**	169,935
Stock Exchange listing fees		**213,405**	195,572	**103,712**	98,869
Clearing and settlement fees		**316,655**	172,427	**162,035**	80,786
Depository, custody and nominee services fees		**218,608**	133,682	**177,505**	100,069
Income from sale of information		**183,857**	162,245	**98,340**	83,255
Investment income	3	**216,922**	122,073	**103,963**	79,193
Other income	4	**123,967**	99,851	**71,285**	52,106
	2	**1,895,248**	1,238,465	**1,041,121**	664,213
OPERATING EXPENSES					
Staff costs and related expenses		**323,918**	282,762	**164,792**	141,378
Information technology and computer maintenance expenses		**93,801**	99,063	**47,337**	50,157
Premises expenses		**57,574**	39,946	**30,941**	20,152
Product marketing and promotion expenses		**6,453**	5,533	**3,592**	3,846
Legal and professional fees		**6,629**	6,592	**1,782**	3,699
Depreciation		**50,260**	85,680	**25,320**	41,449
Other operating expenses	5	**57,853**	50,942	**30,197**	27,162
	2	**596,488**	570,518	**303,961**	287,843
OPERATING PROFIT	2	**1,298,760**	667,947	**737,160**	376,370
SHARE OF PROFITS LESS LOSSES OF ASSOCIATES	2	**9,252**	8,635	**6,032**	6,018
PROFIT BEFORE TAXATION	2	**1,308,012**	676,582	**743,192**	382,388
TAXATION	2/6	**(199,701)**	(105,786)	**(113,720)**	(57,013)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	2	**1,108,311**	570,796	**629,472**	325,375
DIVIDEND	7	**1,000,050**	519,988	**1,000,050**	519,988
Basic earnings per share	8(a)	**$1.04**	$0.54	**$0.59**	$0.31
Diluted earnings per share	8(b)	**$1.03**	$0.54	**$0.58**	$0.31
Interim dividend declared per share		**$0.94**	$0.49	**$0.94**	$0.49
Dividend payout ratio		**90%**	91%	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited at 30 Jun 2006 $'000**	As restated Audited at 31 Dec 2005 $'000
NON-CURRENT ASSETS			
Fixed assets		**234,740**	257,876
Investment property		**18,700**	17,700
Lease premiums for land		**93,849**	94,123
Investments in associates		**65,373**	64,581
Clearing House Funds		**2,700,869**	1,340,410
Compensation Fund Reserve Account		**39,392**	38,410
Time deposit with maturity over one year		**38,835**	38,768
Deferred tax assets		**4,077**	3,060
Other assets		**21,759**	20,374
		3,217,594	1,875,302
CURRENT ASSETS			
Accounts receivable, prepayments and deposits	9	**4,978,551**	3,286,835
Lease premiums for land		**548**	547
Taxation recoverable		**226**	108
Margin Funds on derivatives contracts		**17,098,814**	13,648,581
Financial assets at fair value through profit or loss		**2,712,507**	2,643,788
Time deposits with original maturities over three months		**49,121**	116,622
Cash and cash equivalents		**2,062,256**	1,359,133
		26,902,023	21,055,614
CURRENT LIABILITIES			
Margin deposits from Clearing Participants on derivatives contracts		**17,098,814**	13,648,581
Accounts payable, accruals and other liabilities	10	**5,518,421**	3,641,071
Financial liabilities at fair value through profit or loss		**8,035**	1,443
Participants' admission fees received		**1,650**	2,550
Deferred revenue		**165,841**	284,851
Taxation payable		**244,174**	92,628
Provisions		**27,042**	27,145
		23,063,977	17,698,269
NET CURRENT ASSETS		**3,838,046**	3,357,345
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,055,640**	5,232,647
NON-CURRENT LIABILITIES			
Participants' admission fees received		**80,000**	80,150
Participants' contributions to Clearing House Funds		**2,094,598**	751,751
Deferred tax liabilities		**16,174**	20,770
Financial guarantee contract		**19,909**	19,909
Provisions		**24,128**	22,596
		2,234,809	895,176
NET ASSETS		**4,820,831**	4,337,471
CAPITAL AND RESERVES			
Share capital		**1,064,853**	1,062,755
Share premium		**177,818**	150,405
Shares held for Share Award Scheme		**(30,694)**	(30,028)
Employee share-based compensation reserve		**43,585**	34,980
Revaluation reserves		**(19,038)**	(37,086)
Hedging reserve		**139**	-
Designated reserves		**647,201**	700,641
Retained earnings	11	**1,936,917**	1,776,254
Proposed/declared dividends	11	**1,000,050**	679,550
SHAREHOLDERS' FUNDS		**4,820,831**	4,337,471

Notes:

1. These unaudited condensed consolidated accounts should be read in conjunction with the 2005 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 2005 except that the Group has adopted the revised Hong Kong Accounting Standard ("HKAS") 27 – Consolidated and Separate Financial Statements, which is effective for accounting periods beginning on or after 1 January 2006.

   The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the consolidation of special purpose entities (including trusts) of the Group. Trusts could not be consolidated under the previous HKAS 27 prior to 2006 as they were not considered as subsidiaries under the Hong Kong Companies Ordinance. The Companies (Amendment) Ordinance 2005, effective for accounting periods beginning on or after 1 January 2006, has removed the legal constraint that prevented a Hong Kong incorporated company from consolidating in its group accounts special purpose entities (including trusts) that are required to be consolidated under Hong Kong Financial Reporting Standards ("HKFRSs") but did not meet the legal definition of a subsidiary under the then Hong Kong Companies Ordinance, and HKAS 27 has been revised accordingly.

   In 2005, the Board of HKEx approved the Share Award Scheme, under which shares of HKEx ("Awarded Shares") may be awarded to an Executive Director and employees of the Group. The Group has set up a trust, The HKEx Employees' Share Award Scheme ("HKEx Employee Share Trust"), for the purpose of administering the Share Award Scheme and holding the Awarded Shares before they vest. As HKEx has the power to govern the financial and operating policies of the HKEx Employee Share Trust and derive benefits from the contributions of the employees who have been awarded the Awarded Shares through their continued employment with the Group, the Group is required to consolidate the HKEx Employee Share Trust under the revised HKAS 27 in 2006.

   The effects of adopting the revised HKAS 27 on the condensed consolidated profit and loss account for the six months ended 30 June 2006 and six months ended 30 June 2005 were as follows:

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000
Increase in staff costs and related expenses	**9**	-
Total decrease in profit	**9**	-
Decrease in earnings per share	**0.00 cents**	-

   The effects of adopting the revised HKAS 27 on the condensed consolidated balance sheet as at 30 June 2006 and 31 December 2005 were as follows:

	Unaudited at 30 Jun 2006 $'000	Audited at 31 Dec 2005 $'000
Increase/(decrease) in assets		
Contributions to Share Award Scheme	**(30,093)**	(30,037)
Cash and cash equivalents	**20**	20
Increase/(decrease) in liabilities/equity		
Accounts payable, accruals and other liabilities	**5**	1
Shares held for Share Award Scheme	**(30,694)**	(30,028)
Retained earnings	**616**	10

Following the adoption of the revised HKAS 27, the accounting policies of the Group have been revised as follows:

(a) Subsidiaries
Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a holding of more than one half of the voting rights or issued share capital.

(b) Shares held for Share Award Scheme
Where the HKEx Employee Share Trust purchases shares issued by HKEx, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from total equity.

(c) Dividends
Dividends disclosed in the consolidated profit and loss account represent interim dividend paid and final and special dividends proposed/ declared for the year (based on the issued share capital less the number of shares held for the Share Award Scheme as at the balance sheet date).

Dividends declared are recognised as liabilities in the Group's accounts in the year the dividends are approved by the shareholders.

Further, as disclosed in the 2005 annual accounts, the Group adopted HKAS 39 and HKFRS 4 (Amendments): Financial Guarantee Contracts in the fourth quarter of 2005. The adoption of the Amendments had the following impact on equity as at 30 June 2005:

	$'000
Decrease in equity	
Retained earnings	(19,909)

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

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

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

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

	Unaudited Six months ended 30 Jun 2005				
	Cash Market $'000	Derivatives Market $'000	Clearing Business $'000	Information Services $'000	Group $'000
Income	530,107	197,041	348,067	163,250	1,238,465
Operating expenses					
Direct costs	213,826	57,119	151,786	23,613	446,344
Indirect costs	56,760	17,695	38,805	10,914	124,174
	270,586	74,814	190,591	34,527	570,518
Segment results	259,521	122,227	157,476	128,723	667,947
Share of profits less losses of associates	(21)	-	8,656	-	8,635
Segment profits before taxation	259,500	122,227	166,132	128,723	676,582
Taxation					(105,786)
Profit attributable to shareholders					570,796

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. Costs of the Listing Function are treated as segment costs under the Cash Market.

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

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

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

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

3. Investment income

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	**Unaudited Three months ended 30 Jun 2006 $'000**	Unaudited Three months ended 30 Jun 2005 $'000
Interest income				
- bank deposits	**279,615**	68,571	**148,697**	48,501
- listed available-for-sale financial assets	**8,203**	4,898	**4,824**	3,287
- unlisted available-for-sale financial assets	**68,720**	34,487	**49,102**	16,189
	356,538	107,956	**202,623**	67,977
Interest expenses (note a)	**(206,661)**	(19,234)	**(116,271)**	(16,330)
Net interest income	**149,877**	88,722	**86,352**	51,647
Net realised and unrealised gains/(losses) and interest income on financial assets and financial liabilities at fair value through profit or loss				
On designation				
- bank deposits with embedded derivatives	**-**	266	**-**	-
Held for trading				
- listed securities	**38,820**	36,450	**(1,754)**	25,860
- unlisted securities	**17,629**	3,861	**9,995**	12,655
- exchange differences	**6,791**	(9,698)	**6,756**	(12,321)
	63,240	30,613	**14,997**	26,194
	63,240	30,879	**14,997**	26,194
Dividend income				
- listed financial assets at fair value through profit or loss	**3,678**	3,411	**2,567**	2,430
Other exchange differences on loans and receivables	**127**	(939)	**47**	(1,078)
Total investment income	**216,922**	122,073	**103,963**	79,193
Total investment income was derived from:				
Corporate Funds (note b)	**99,532**	42,343	**35,721**	33,975
Margin Funds	**94,172**	69,153	**55,853**	38,518
Clearing House Funds	**23,218**	10,577	**12,389**	6,700
	216,922	122,073	**103,963**	79,193

(a) The significant increase in interest expenses was mainly attributable to the increase in Margin Fund size, rising interest rates and a change in the benchmarked interest rate payable on cash margin deposits from 1 June 2005 onwards. In 2006, interest was paid on cash margin deposits based on the savings rate. Prior to 1 June 2005, interest was not always paid to the Participants as the interest rates payable on the cash margin deposits were often lower than the retention interest rates charged by HKCC and SEOCH on such cash margin deposits.

(b) Investment income derived from Corporate Funds included investment income of Compensation Fund Reserve Account of $972,000 (2005: $498,000) and $517,000 (2005: $312,000) for the six months and three months ended 30 June 2006 respectively.

4. Other income

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	**Unaudited Three months ended 30 Jun 2006 $'000**	Unaudited Three months ended 30 Jun 2005 $'000
Network, terminal user, dataline and software sub-license fees	**77,928**	66,134	**42,730**	35,196
Participants' subscription and application fees	**17,016**	17,282	**8,501**	8,576
Brokerage on direct IPO applications	**17,104**	6,188	**13,840**	1,523
Trading booth user fees	**4,371**	-	**2,391**	-
Fair value gain of an investment property	**1,000**	2,600	**400**	2,600
Accommodation income on cash margin deposits in non-contract settlement currencies and securities deposited by Participants as alternatives to cash deposits of the Margin Funds	**820**	1,494	**462**	784
Miscellaneous income	**5,728**	6,153	**2,961**	3,427
	123,967	99,851	**71,285**	52,106

5. Other operating expenses

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	**Unaudited Three months ended 30 Jun 2006 $'000**	Unaudited Three months ended 30 Jun 2005 $'000
Provision for/(reversal of provision for) impairment losses of trade receivables	**412**	(372)	**297**	68
Insurance	**8,056**	8,202	**4,049**	4,104
Financial data subscription fees	**2,237**	2,757	**1,098**	1,198
Custodian and fund management fees	**4,145**	3,891	**2,126**	1,948
Bank charges	**4,774**	1,788	**2,795**	1,043
Repair and maintenance expenses	**4,285**	3,774	**2,593**	2,012
Other miscellaneous expenses	**33,944**	30,902	**17,239**	16,789
	57,853	50,942	**30,197**	27,162

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

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	**Unaudited Three months ended 30 Jun 2006 $'000**	Unaudited Three months ended 30 Jun 2005 $'000
Provision for Hong Kong Profits Tax for the period (note a)	**205,309**	114,849	**116,204**	62,225
Deferred taxation	**(5,608)**	(9,063)	**(2,484)**	(5,212)
	199,701	105,786	**113,720**	57,013

(a) Hong Kong Profits Tax has been provided for at 17.5 per cent (2005: 17.5 per cent) on the estimated assessable profit for the period.

7. Dividend

	Unaudited Six months ended 30 Jun 2006 $'000	Unaudited Six months ended 30 Jun 2005 $'000	**Unaudited Three months ended 30 Jun 2006 $'000**	Unaudited Three months ended 30 Jun 2005 $'000
Interim dividend declared of $0.94 (2005: $0.49) per ordinary share based on issued share capital as at balance sheet date (note a)	**1,000,962**	519,988	**1,000,962**	519,988
Less: Dividend for shares held by HKEx Employee Share Trust	**(912)**	-	**(912)**	-
	1,000,050	519,988	**1,000,050**	519,988

(a) Actual 2005 interim dividend paid was $520,567,000, of which $579,000 was paid on shares issued for employee share options exercised after 30 June 2005.

8. Earnings per share

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

(a) Basic earnings per share

	Unaudited Six months ended 30 Jun 2006	Unaudited Six months ended 30 Jun 2005	**Unaudited Three months ended 30 Jun 2006**	Unaudited Three months ended 30 Jun 2005
Profit attributable to shareholders ($'000)	**1,108,311**	570,796	**629,472**	325,375
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme	**1,062,829,246**	1,058,595,023	**1,063,538,851**	1,060,247,198
Basic earnings per share	**$1.04**	$0.54	**$0.59**	$0.31

(b) Diluted earnings per share

	Unaudited Six months ended 30 Jun 2006	Unaudited Six months ended 30 Jun 2005	**Unaudited Three months ended 30 Jun 2006**	Unaudited Three months ended 30 Jun 2005
Profit attributable to shareholders ($'000)	**1,108,311**	570,796	**629,472**	325,375
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme	**1,062,829,246**	1,058,595,023	**1,063,538,851**	1,060,247,198
Effect of employee share options	**11,255,801**	5,713,196	**11,584,907**	4,582,829
Effect of Awarded Shares	**957,434**	-	**955,590**	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,075,042,481**	1,064,308,219	**1,076,079,348**	1,064,830,027
Diluted earnings per share	**$1.03**	$0.54	**$0.58**	$0.31

9. The Group's accounts receivable, prepayments and deposits amounted to $4,978,551,000 (31 December 2005: $3,286,835,000). These mainly represented the Group's Continuous Net Settlement ("CNS") money obligations receivable under the T+2 settlement cycle, which accounted for 92 per cent (31 December 2005: 88 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. The Group's accounts payable, accruals and other liabilities amounted to $5,518,421,000 (31 December 2005: $3,641,071,000, as restated). These mainly represented the Group's CNS money obligations payable under the T+2 settlement cycle, which accounted for 83 per cent (31 December 2005: 79 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.

11. Retained earnings (including proposed/declared dividends)

	Unaudited 2006 $'000	As restated Audited 2005 $'000
At 1 Jan, as previously reported		
Retained earnings	**1,775,631**	1,658,055
Proposed/declared dividends	**680,163**	496,620
	2,455,794	2,154,675
Effect of initial adoption of revised HKAS 27	**10**	-
At 1 Jan, as restated	**2,455,804**	2,154,675
Profit for the period/year (note a)	**1,108,311**	1,339,558
Surplus of investment income net of expenses of Clearing House Funds for the period/year transferred to Clearing House Funds reserves	**(17,833)**	(29,350)
Investment and other income net of expenses of Compensation Fund Reserve Account for the period/year transferred to Compensation Fund Reserve Account reserve	**(972)**	(1,303)
Transfer from Development reserve	**72,245**	11,008
	53,440	(19,645)
Dividends:		
2005/2004 final dividend	**(679,550)**	(496,620)
Dividend on shares issued for employee share options exercised after 31 Dec 2005/31 Dec 2004	**(1,038)**	(1,597)
	(680,588)	(498,217)
2005 interim dividend	-	(519,988)
Dividend on shares issued for employee share options exercised after 30 Jun 2005	-	(579)
	-	(520,567)
At 30 Jun 2006/31 Dec 2005	**2,936,967**	2,455,804
Representing:		
Retained earnings	**1,936,917**	1,776,254
Proposed/declared dividends	**1,000,050**	679,550
At 30 Jun 2006/31 Dec 2005	**2,936,967**	2,455,804

(a) The Group's profit for the period/year included a net profit attributable to investment and other income net of expenses after taxation of the Clearing House Funds and Compensation Fund Reserve Account for an aggregate amount of $18,805,000 (year ended 31 December 2005: $30,653,000).

PROSPECTS

HKEx's performance in the second half of 2006 might be affected by a number of external factors. Geopolitical risks, stagflation in the US economy, escalating energy prices, the rising cost of capital due to increasing interest rates and the intensifying global competition might all have an impact on the Cash and Derivatives Markets in Hong Kong.

The valuation of the renminbi as well as the macro-economic adjustments introduced to cool the Mainland economy might have a bearing on the Mainland's economic performance. The longer term outlook for the Mainland, however, remains promising and there is sustained demand for capital on the Mainland. Given Hong Kong's unique competitive strengths, continued issuer and investor interest in listing of Mainland enterprises in Hong Kong is anticipated.

In addition to serving Mainland enterprises, HKEx will expand its international profile by allowing overseas companies particularly those incorporated in other Asian countries to list on the Stock Exchange subject to further discussions with the SFC.

HKEx remains committed to ensuring an effective regulatory regime that strengthens market integrity and investor confidence and reinforces Hong Kong's status as an international financial centre and a major capital formation centre for Mainland enterprises. Meanwhile, HKEx will also continue to focus on creating value for shareholders through further enhancing the quality of its core businesses and prudently controlling its operating costs.

BECOMES A HANG SENG INDEX CONSTITUENT STOCK

On 11 August 2006, HSI Services Limited announced that HKEx will be included as a Hang Seng Index constituent stock with effect from 11 September 2006.

CHANGE IN BOARD LOT

The board lot size of shares of $1.00 each in the share capital of HKEx ("Shares") for trading on the Stock Exchange was changed from 2,000 Shares to 500 Shares effective 26 June 2006. Free exchange of share certificates in board lots of 2,000 Shares each for share certificates in board lots of 500 Shares each was available from 12 June 2006 to 24 July 2006 (both dates inclusive). The detailed arrangement of the change in board lot size was announced by HKEx on 2 June 2006.

INTERIM DIVIDEND

The Board has declared an interim dividend of $0.94 per share (2005: $0.49 per share) for the year ending 31 December 2006, amounting to a total of about $1,001 million (2005: $521 million), including dividend of about $912,000 for shares held upon trust under the Share Award Scheme (2005: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 8 September 2006 to Tuesday, 12 September 2006, both dates inclusive, during which period, no transfer of shares will be registered. Dividend warrants will be despatched to the shareholders on or about Tuesday, 19 September 2006. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with HKEx's registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 7 September 2006.

CORPORATE GOVERNANCE

HKEx is committed to building and maintaining high standards of corporate governance. HKEx applied the principles and fully complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Main Board Listing Rules") throughout the review period.

In June 2006, GovernanceMetrics International Inc affirmed the scores of HKEx as of 1 May 2006 of 6.5 (Global, July 2005: 6.5) and 9.5 (Home Market, July 2005: 9.5) out of the full score of 10.0.

In addition, the FTSE4Good Policy Committee in its March 2006 FTSE4Good Semi-annual Index Review confirmed that HKEx continues to meet the corporate social responsibility criteria inclusion for the FTSE4Good Index and remains a member of the FTSE4Good Index Series. HKEx has been selected a member of the FTSE4Good Index Series since September 2005.

EMPLOYEES

As at the end of June 2006, there were 833 employees in the Group, including 44 temporary staff (31 December 2005: 804 employees, including 25 temporary staff). A review of HKEx's remuneration policy and structure is being conducted by an independent consultant with the objective of introducing refinements to the Group's staff compensation structure and performance measurement system. The review is scheduled to be completed in the third quarter of 2006 and the recommendations thereof would be considered by the Board.

On 16 August 2006, the Board approved an amendment to the Share Award Scheme rules and the related trust deed under which the Board will approve the lump sum for acquiring the Awarded Shares instead of approving a fixed number of Awarded Shares. Selected employees (including any executive directors) of the Group are entitled to participate in the Share Award Scheme which was adopted by the Board in September 2005. The purposes and objectives are to recognise the contributions by certain employees of the Group and to give them an incentive to remain for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The revised rules and the trust deed will be posted on HKEx's corporate website.

REVIEW OF ACCOUNTS

Disclosure of financial information in this announcement complies with Appendix 16 of the Main Board Listing Rules. The Audit Committee has reviewed the unaudited condensed interim financial statements for the six months ended 30 June 2006 in conjunction with HKEx's external auditors.

PURCHASE, SALE OR REDEMPTION OF HKEX'S LISTED SECURITIES

During the six months ended 30 June 2006, HKEx had not redeemed, and neither HKEx nor any of its subsidiaries had purchased or sold, any of HKEx's listed securities.

In December 2005, the Board awarded 960,000 shares to a number of employees. The trustee of the Share Award Scheme purchased 958,000 shares on the Stock Exchange in December 2005 and the remaining 2,000 shares in January 2006. During the period, the trustee of the Share Award Scheme also applied, according to the terms of the trust deed, the dividend income received in respect of the HKEx shares held under the trust to acquire further 10,000 HKEx shares on the Stock Exchange. The total amount paid to acquire these 12,000 shares during the period was about $666,000.

BOARD OF DIRECTORS

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

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

Hong Kong, 16 August 2006

This results announcement is published on the Stock Exchange's website (http://www.hkex.com.hk) and the interim report will be available from the same website on or before 31 August 2006.