



2007 Interim Results Announcement

Strong Investor Sentiment, Record-breaking Performance

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Agenda

❖ 2007 Interim Results Overview

❖ Financial Review

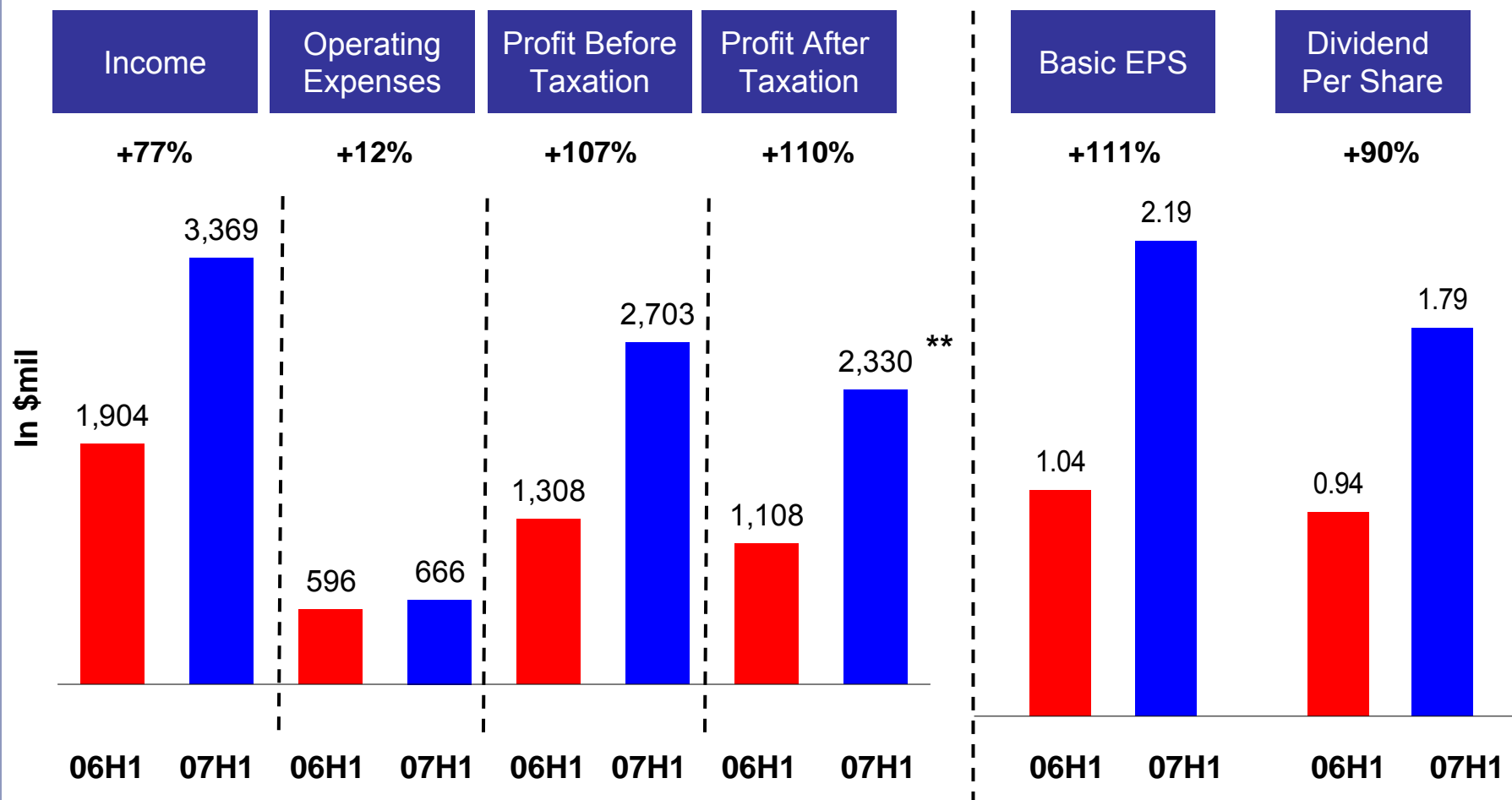
❖ Business Review

❖ Q&A

2007H1 Results Overview - Business

- ❖ \$15.9 trillion market capitalisation as of 30 June 2007 – *62% increase from 30 June 2006*
- ❖ \$59.2 billion average daily turnover – *82% increase from 2006H1*
- ❖ 276,892 options & futures contracts traded daily on average – *72% increase from 2006H1*
 - Open Interest of 4,191,273 contracts on 30 June 2007 – *150% increase from 30 June 2006*
- ❖ Successful implementation of numerous initiatives for market development: new product and service offerings, removal of trade barriers, enhancement of market quality and promotion of listing of companies in Hong Kong
- ❖ 100% up-time for all IT systems despite substantial increase in volume

Net profit in 2007H1 has more than doubled from 2006H1 while dividend payout ratio* remains at 90%



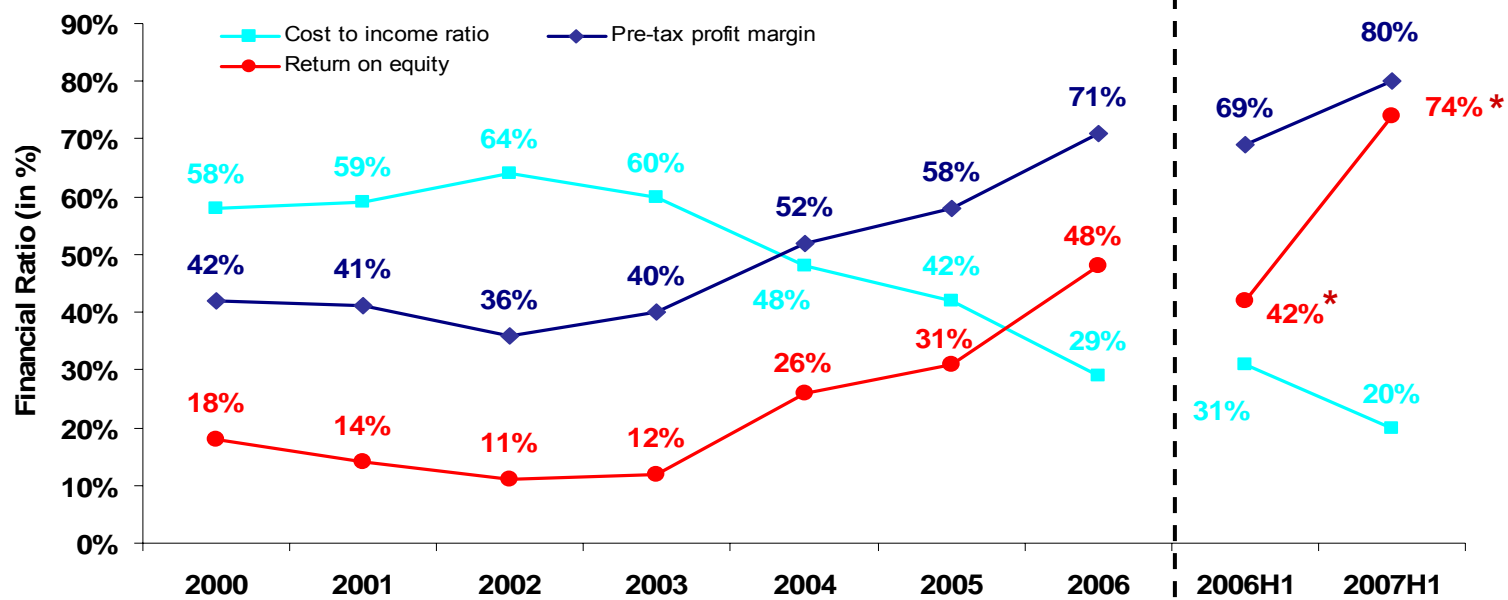
*Dividend payout ratio is calculated based on 90% of EPS excluding one-off gain on disposal of an associate

**Includes one-off gain on disposal of an associate of \$206 million

Source: HKEX Interim Reports 2006H1 and 2007H1

Unit: Dollar

2007H1 Results Overview - Financial



In \$mil

Income	2,312	1,998	1,813	2,029	2,407	2,712	4,174		1,904	3,369
Expenses	1,331	1,179	1,165	1,224	1,156	1,145	1,210		596	666

*The ROE figures for 2006H1 and 2007H1 have been annualised for comparison purpose

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Financial Highlights

	2007 H1 \$ mil	2006 H1 \$ mil	Change
Results			
Income	3,157	1,895	67%
Operating expenses	666	596	12%
Operating profit	2,491	1,299	92%
Gain on disposal of an associate	206	-	N/A
Share of profits of associates	6	9	-40%
Profit before taxation	2,703	1,308	107%
Taxation	(373)	(200)	87%
Profit attributable to shareholders	2,330	1,108	110%
Basic earnings per share	\$2.19	\$1.04	111%
Diluted earnings per share	\$2.16	\$1.03	110%
Interim dividend declared per share	\$1.79	\$0.94	90%
Dividend payout ratio	82%	90%	N/A
Dividend payout ratio (excluding gain on disposal of an associate)	90%	90%	N/A

Note: Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Half-Year Results Since Merger

	2007 H1 \$mil	2006 H2 \$mil	2006 H1 \$mil	2005 H2 \$mil	2005 H1 \$mil	2004 H2 \$mil	2004 H1 \$mil	2003 H2 \$mil	2003 H1 \$mil	2002 H2 \$mil	2002 H1 \$mil	2001 H2 \$mil	2001 H1 \$mil	2000 H2 \$mil	2000 H1 \$mil
Income (A)	3,157	2,252	1,895	1,456	1,238	1,230	1,164	1,113	907	916	892	997	1,001	1,085	1,227
Operating expenses (B)	666	614	596	575	570	585	571	563	661	587	578	583	596	729	602
Operating profit	2,491	1,638	1,299	881	668	645	593	550	246	329	314	414	405	356	625
Gain on disposal of an associate (C) 206		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of profits less losses of associates (D)	6	18	9	9	9	7	6	5	4	4	1	-	-	-	-
Profit before taxation	2,703	1,656	1,308	890	677	652	599	555	250	333	315	414	405	356	625
Taxation	(373)	(245)	(200)	(121)	(106)	(93)	(101)	(78)	(34)	(32)	(27)	(44)	(41)	(30)	(68)
Profit attributable to shareholders	2,330	1,411	1,108	769	571	559	498	477	216	301	288	370	364	326	557
Cost to income ratio B/(A+C+D)	20%	27%	31%	39%	46%	47%	49%	50%	73%	64%	65%	58%	60%	67%	49%
Return on equity (Note 2)	37%	27%	21%	18%	13%	14%	12%	8%	4%	6%	5%	7%	7%	7%	11%

Note:

(1) Results for all periods have been restated to comply with the latest HKFRSs

(2) Based on total shareholders' funds at 31 December for period ends in 2000 to 2006 and as at 30 June for 2007 H1

(3) Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Breakdown of Income

	2007H1 \$ mil	2006H1 \$ mil	Change
Trading fees and trading tariff	1,075	622	+73%
Stock Exchange listing fees	294	213	+38%
Clearing & settlement fees	571	316	+80%
Depository, custody and nominee services fees	308	219	+41%
Income from sale of information	276	184	+50%
Net investment income	453	217	+109%
Other income	180	124	+45%
Total	3,157	1,895	+67%

Note: Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Net Investment Income

	Corporate Funds	Margin Funds	Clearing House Funds	HKEx Group Total
	2007 H1			
Gross investment income (\$mil)	176	519	41	736
Interest expenses (\$mil)	(4)	(268)	(11)	(283)
Net investment income (\$mil)	172	251	30	453
Average amount of funds available for investment (\$mil)	6,356	27,135	2,027	35,518
Gross annualised return	5.54%	3.83%	4.00%	4.14%
Net annualised return	5.42%	1.85%	2.91%	2.55%
	2006 H1			
Gross investment income (\$mil)	102	288	34	424
Interest expenses (\$mil)	(2)	(194)	(11)	(207)
Net investment income (\$mil)	100	94	23	217
Average amount of funds available for investment (\$mil)	4,596	17,694	1,820	24,110
Gross annualised return	4.42%	3.25%	3.75%	3.51%
Net annualised return	4.33%	1.06%	2.55%	1.80%

Note: Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Breakdown of Expenses

	2007 H1 \$ mil	2006 H1 \$ mil	Change
Staff costs and related expenses	387	324	+19%
Information technology and computer maintenance expenses			
Costs consumed by the Group	67	66	+2%
Costs directly consumed by Participants	34	28	+19%
	101	94	+7%
Premises expenses	66	57	+14%
Product marketing and promotion expenses	7	6	+10%
Legal and professional fees	4	7	-34%
Depreciation	42	50	-16%
Other operating expenses	59	58	+2%
Total	666	596	+12%

Note: Percentages are calculated based on actual results rounded to the nearest thousand dollars.

Second & First Quarter Comparison

	2007 Q2 \$ mil	2007 Q1 \$ mil	Change
Results			
Income	1,758	1,399	+26%
Operating expenses	343	323	+6%
Operating profit	1,415	1,076	+31%
Gain on disposal of an associate	206	-	N/A
Share of profits of an associate	-	6	-100%
Profit before taxation	1,621	1,082	+50%
Taxation	(213)	(160)	+34%
Profit attributable to shareholders	1,408	922	+53%

Note: Percentages are calculated based on actual results rounded to the nearest thousand dollars.

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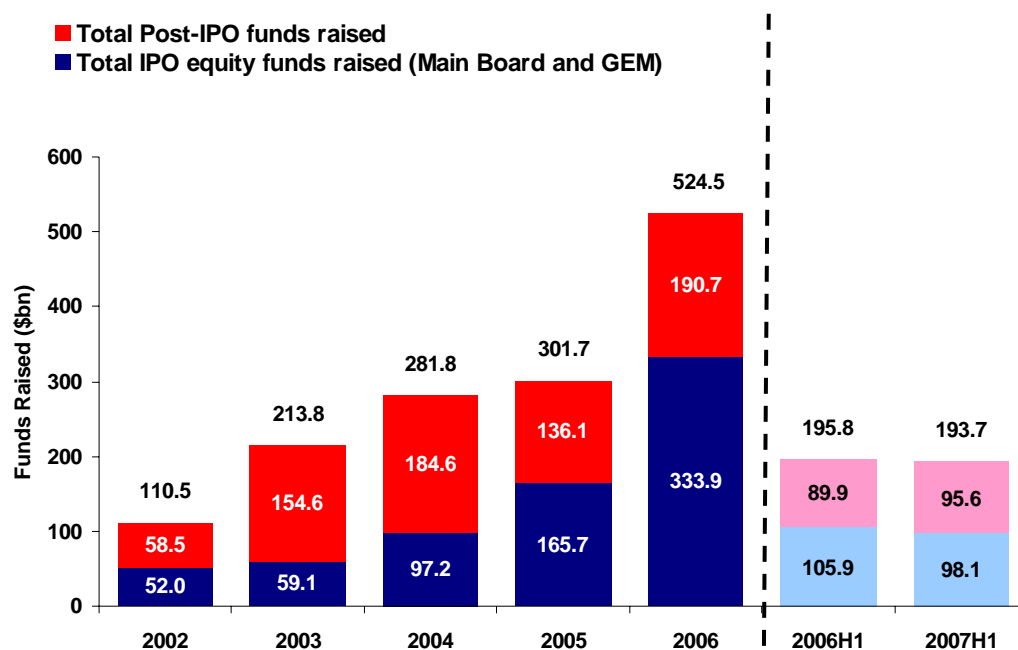
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Strong growth in IPO and Post-IPO funds raised

- ❖ 2007H1 recorded a higher number of IPO than same period in 2006
 - 32 companies were newly listed (2006H1: 26)
 - 17 Mainland enterprises were newly listed (2006H1: 16)
- ❖ Post-IPO funds raised in 2007H1 constituted 49% of total capital funds raised



- Growing Mainland economy continues to bring listings of Mainland related enterprises in Hong Kong
- Liquidity and quality of the market continue to make Hong Kong a leading international fund raising centre
- Stronger recognition of Hong Kong as a leading international financial centre

Continuously attract listings by improving our market quality

Achievements in 2007H1

Business Development

- SFC and HKEx joint policy statement regarding the listing of overseas companies
- Active promotion to attract listings by issuers from the Mainland and overseas jurisdictions
- MOUs signed with Abu Dhabi Securities Market and Moscow Interbank Currency Exchange

Enhancement of Market Quality

- Launch of the Electronic Disclosure Project
- Enhancement in transparency of Listing Enforcement settlement policy

Fuel for Growth

Business Development

- Continuous promotional activities in the PRC and overseas jurisdictions

Enhancement of Market Quality

- Development of Designated Issuer Website
- Review of the DW regime
- Consultations on financial reporting
- Posting of web proof prospectuses on HKEx website

Review of Listing Infrastructure

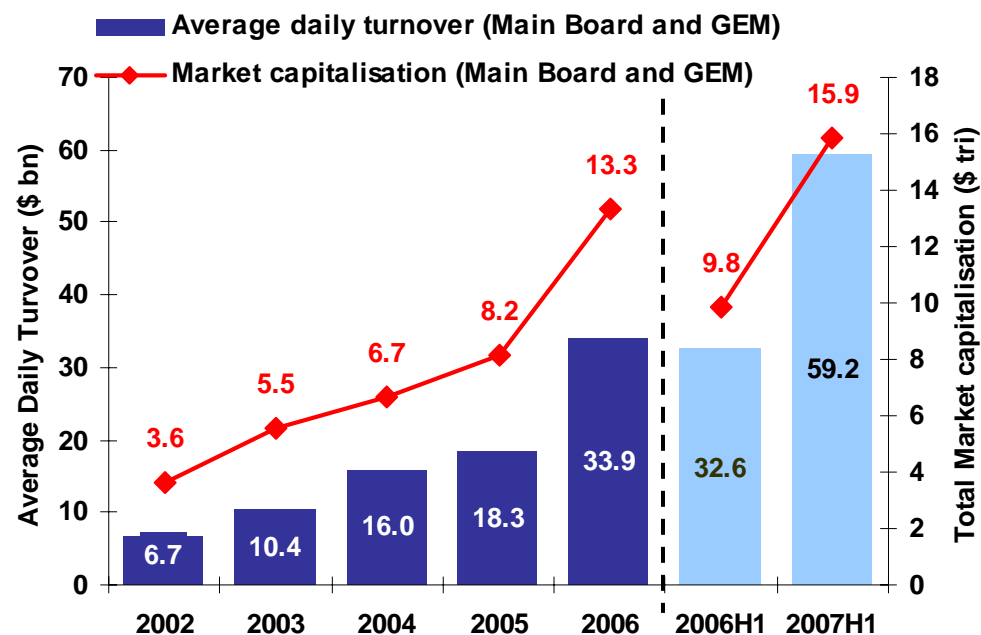
- GEM Consultation Paper (July 2007)
- Introduction of Depositary Receipts

Improvement to Operational Efficiency

- Further automation of Listing's internal processes

Cash Market trading has increased 82% from 2006H1

- ❖ Surge in secondary market trading due to increases in market capitalisation and turnover velocity (2006H1: 64% vs. 2007H1: 72%)
- ❖ Strong increase in average daily turnover of derivatives warrants (2006H1: \$6.2billion vs. 2007H1: \$11.2 billion)
- ❖ Turnover on 20 June 2007 of \$122.26 billion was second highest in history*



- Inflow of international funds tapping into the growing opportunities on the Mainland
- Further relaxation of QDII
- Strong DW trading
 - About 19% of market turnover was contributed by DW
- Product expansion:
 - 2,681 DWs
 - 16 ETFs
 - 7 REITs
 - 37 CBBCs
 - 175 debt securities

Source: HKEx statistics

*Turnover of \$122.37 billion on 1 August 2007 was the highest in history

Cash Market Trading

Achievements in 2007H1

Market Development

- Removal of cash market trading barriers
- Introduction of closing auction
- Relaxation of tick-rule exemption
- Market development for CBBC
 - Increased underlying stocks to 30
 - Reduced listing fee by 70%

Product Development

- Launch of DW on Mainland-related securities
- Listing of new ETFs on indices of:
 - Single overseas markets
 - Regional & global markets
 - Commodities index

Improving Trading Capacity

- Relaxation of cash trading parameters

Fuel for Growth

Market Development

- Study of Remote Participation
- Study of ETN and ETC

Product Development

- Enhancement of product development regime
- Introduction of Mainland related products (July 2007)
 - WISE CSI 300 China Tracker ETF
 - HSBC China Dragon Fund

Participant Education

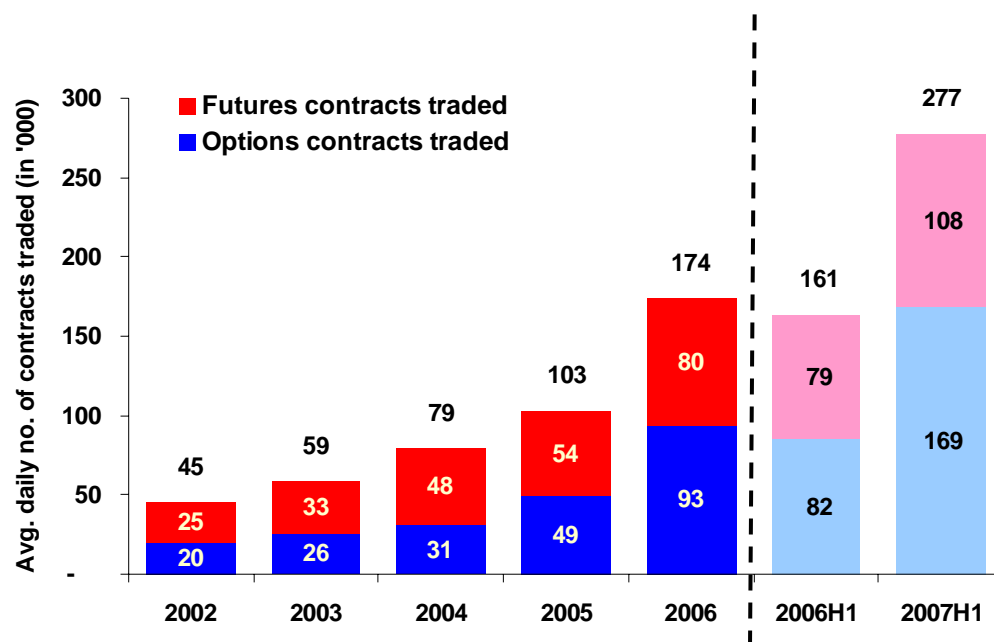
- Cooperation with HKSI on provision of training for HKEx Participants

Improving IT Capacity

- Software enhancement to improve AMS/3 response time

Average daily number of derivatives contracts traded in 2007H1 increased by 72% from 2006H1

- ❖ Active securities market leads to growth in trading of derivative products as tools for leverage, hedging and arbitrage
- ❖ Mainland related options and futures account for over 45% of derivatives trading

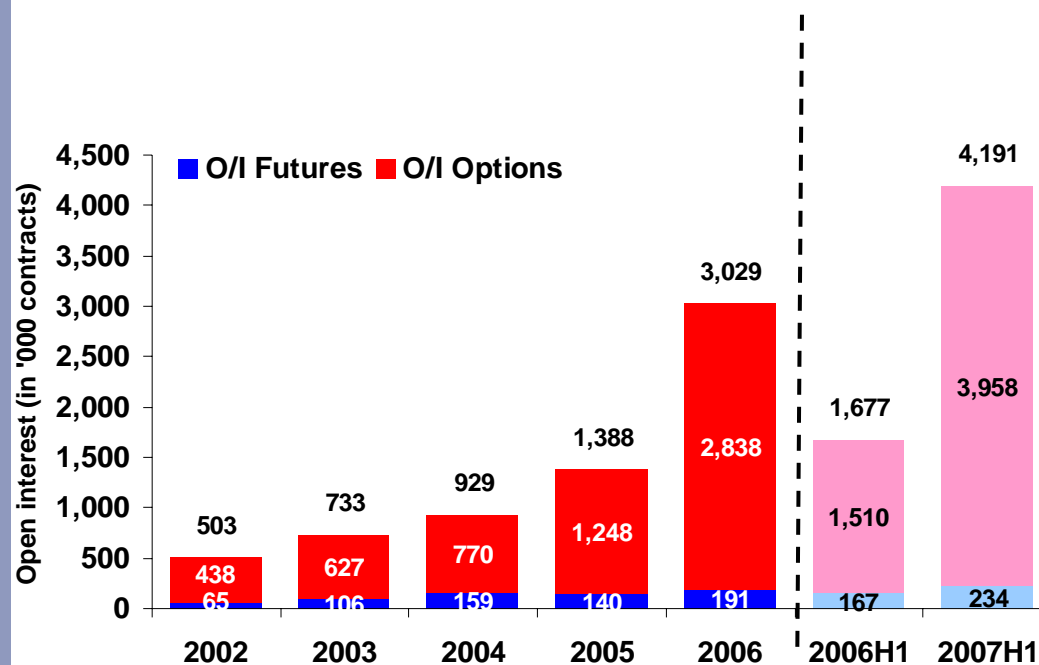


Avg. daily # of contracts traded ('000):	2006 H1	2007 H1	Growth
Options contracts	82	169	105%
Futures contracts	79	108	38%
Major derivatives products			
Stock options	63	131	107%
HSI futures	50	62	23%
HFI futures	20	33	68%
HSI options	16	31	98%

Mainland related stock options account for about 27% of overall derivatives trading

Open interest of derivatives products in 2007H1 increased by 150% from 2006H1

- ❖ Surge in open interest of derivatives products due to increase in the number of product classes and the benefit of relaxation of position limits



Open interest of derivatives products ('000):	30 June 2006	30 June 2007	Growth
Options contracts	1,510	3,958	162%
Futures contracts	167	234	40%
Major derivatives products			
Stock options	1,227	3,572	191%
HSI options	213	260	22%
HSI futures	110	130	18%
HFI options	68	125	84%

Mainland related stock options account for 63% of overall stock options open interest

Derivatives Market Trading

Achievements in 2007H1

Product Development

- Launch of HFI futures
- Three additional classes of options and futures contracts with Mainland related stocks as underlying assets
- Introduction of a third calendar expiry month to 5 stock option classes

Market Development

- Relaxation of position limits of HHI futures and options
- Improvements to market maker regime
- Extension of pre-market opening arrangement to HHI futures market

Education and Marketing

- Participation in various local and overseas activities to promote Hong Kong derivatives market and products

Fuel for Growth

Product Development

- Introduction of the third calendar expiry month to additional 5 stock option classes (July 2007)
- Introduction of additional stock option classes with H shares as underlying assets

Market Development

- Study of emissions-related products and commodity derivatives
- Further relaxation of position limits

Education and Marketing

- Continuous promotion of Hong Kong derivatives market and products

Clearing and Related Services

Achievements in 2007H1

Service Enhancement

- Launch of Phases 1 (Jan 2007) and 2 (July 2007) of SSA service enhancements
- Enabling certain CCASS payments effected intra-day through RTGS mechanism
- Increasing immobilisation rate of CCASS holdings

Risk Management Measures

- Harmonisation of risk management measures among three clearing houses

Fuel for Growth

Market Development

- Introduction of Third Party Clearing

Improving Shareholding Transparency

- Introduction of Shareholding Disclosure Service

Service Enhancement

- Expansion of an electronic voting service
- Introduction of eIPO multiple receiving bank arrangement

Strengthen Risk Management

- Integration of risk management functions
- Redevelopment of Derivatives risk management satellite system

Market Information Dissemination

Achievements in 2007H1

Improving Information Transparency

- Enhanced news alerts service of the Investment Service Centre on HKEx website

Service Enhancement

- Improvement to the Issuer Information Feed Service (IIS) and Market Data Feed (MDF) Service
- Shortening of time delay for delayed market data

Fuel for Growth

Market Development

- Further promotion of global access to Hong Kong market data
- Introduction of direct data feed for algo trading

Strengthen System Capabilities

- Working with information vendors to improve the system capabilities of their direct and indirect connections

Participant Recruitment and Admission

Achievements in 2007H1

Recruitment of Overseas Brokers

- Seminars held in the Mainland on applying to become HKEx exchange participants
- Since January 2007:
 - 8 overseas brokers have been admitted to be SEHK Participants
 - 2 overseas brokers have been admitted to be HKFE Participants
- Overseas brokers from the USA, BVI, South Africa, England, the Netherlands, Australia, Mainland China, Japan and Thailand have submitted applications

Service Enhancement

- Opening up of Trading Rights regime

Fuel for Growth

Market Development

- Continuous effort in facilitating participation of overseas brokers
- Development of Remote Participant Model

Service Enhancement

- Streamlining of EP admission and registration functions

Information Technology

Achievements in 2007H1

Cash Market Trading and Clearing

- AMS OG/MWS replacement and upgrade
- CCASS IBM Mainframe replacement and upgrade
- AMS circuits migration to SDNet and completion of network migration project
- CCASS middle-tier system software replacement and upgrade

Derivatives Market Trading and Clearing

- HKATS (July 2007) and DCASS (May 2007) hardware upgrade

Information Dissemination

- IIS upgrade to support launch of EDP

Listing

- Electronic Submission System for launch of EDP

Fuel for Growth

Cash Market Trading and Clearing

- AMS/3 capacity and technology upgrade

Derivatives Market Trading and Clearing

- HKATS/DCASS software upgrade to OMX Release 19.1

Information Dissemination

- PRS (derivatives market price reporting system) capacity upgrade

Listing

- Development of a dedicated issuer website

Corporate

- Review of IT governance and application systems

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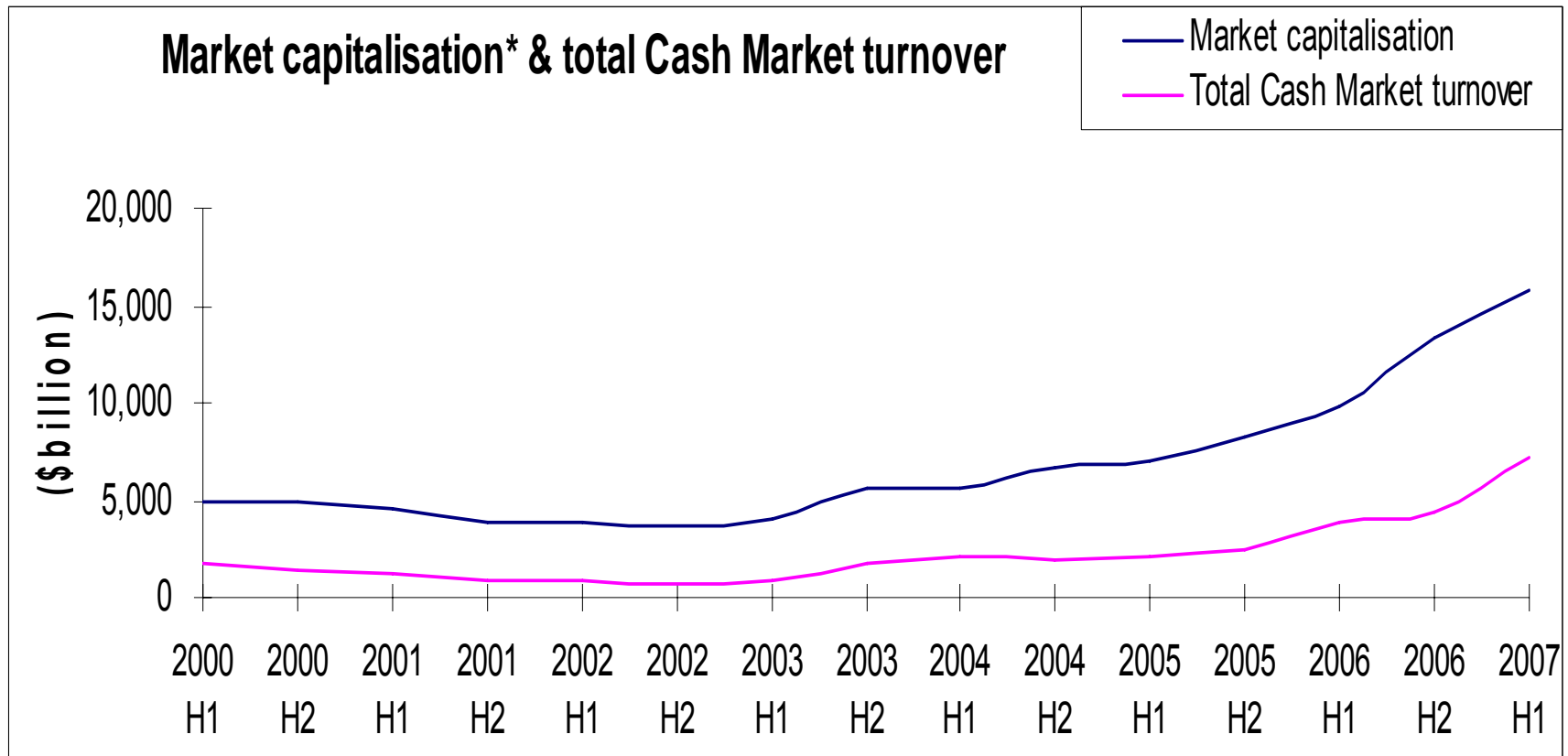


Appendix

Key Market Statistics

	2007 H1	2006 H1	Change
Total Cash Market turnover (\$bil) (Main Board & GEM)	7,169.1	3,944.1	82%
Average daily Cash Market turnover (\$bil) (Main Board & GEM)	59.2	32.6	82%
Total number of derivatives contracts traded on the Futures Exchange	17,648,143	11,794,032	50%
Average daily number of derivatives contracts traded on the Futures Exchange	145,852	97,471	50%
Total number of stock options contracts traded on the Stock Exchange	15,855,846	7,672,722	107%
Average daily number of stock options contracts traded on the Stock Exchange	131,040	63,411	107%
Number of new equity listings	32	26	23%

Key Market Statistics Since Merger



* Represents market capitalisation as at 31 December for periods ended 31 December and as at 30 June for periods ended 30 June

Setting New Records

	2007 H1	Pre-2007 records
<u>Cash Market</u>		
Market capitalisation (\$bil)	16,004.4 (22 Jun 2007)	13,339.9 (28 Dec 2006)
Market Indices, in particular:		
Hang Seng Index	21999.9 (22 Jun 2007)	20001.9 (28 Dec 2006)
Hang Seng China Enterprises Index	12239.7 (22 Jun 2007)	10363.3 (28 Dec 2006)
Total Cash Market turnover (\$bil),	7,169.1	4,432.2 (2006 H2)
in particular:		
H shares	2,402.1	1,421.2 (2006 H2)
Derivative warrants	1,360.0	1,038.2 (2006 H2)
Number of newly listed derivative warrants	2,305	1,711 (2006 H2)
<u>Derivatives Market</u>		
Total number of futures and options contracts traded,	33,503,989	23,439,161 (2006 H2)
in particular:		
Total futures	13,100,837	10,332,922 (2006 H2)
Hang Seng Index Futures	7,469,140	6,609,227 (2006 H2)
Total options	20,403,152	13,106,239 (2006 H2)
Stock options	15,855,846	10,454,631 (2006 H2)

Performance of Mainland Enterprises

	2007 H1 (A)	Share of Equities Market	2006 H2 (B)	Share of Equities Market	Change (A-B)/(B)
<u>Main Board and GEM</u>					
Market capitalisation (\$bil) (Note 1)	8,367.1	53%	6,714.5	50%	25%
Number of listed companies (Note 1)	377	32%	367	31%	3%
Number of new equity listings	17	53%	23	64%	-26%
Equity funds raised (\$bil)	124.1	64%	244.9	75%	-49%
IPO (\$bil)	74.6	76%	204.8	90%	-64%
Post-IPO (\$bil)	49.5	52%	40.1	40%	23%
Total Cash Market equity turnover (\$bil)	3,670.8	64%	2,083.6	62%	76%

Note:

1. Statistics as at 31 December for 2006 H2 and as at 30 June for 2007 H1
2. Mainland enterprises include H-shares, red chips and non H-share Mainland private enterprises.