HKEx 香港交易所

(Stock Code: 388)

Consolidated Financial Statements

For the year ended 31 December 2009

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

(Financial figures are expressed in Hong Kong Dollar)

	Note	**2009 $'000**	As restated 2008 $'000
Trading fees and trading tariff	5	**2,586,297**	2,803,081
Stock Exchange listing fees	6	**728,477**	711,983
Clearing and settlement fees		**1,424,748**	1,405,202
Depository, custody and nominee services fees		**562,599**	496,708
Income from sale of information		**694,563**	673,445
Other revenue	7	**417,402**	390,855
REVENUE		**6,414,086**	6,481,274
Investment income		**624,300**	1,075,590
Interest rebates to Participants		**(3,346)**	(76,415)
Net investment income	8	**620,954**	999,175
Gain on disposal of properties	9	**-**	68,641
	4	**7,035,040**	7,549,090
OPERATING EXPENSES			
Staff costs and related expenses	10	**793,503**	803,106
Information technology and computer maintenance expenses	11	**246,291**	238,917
Premises expenses		**219,084**	149,786
Product marketing and promotion expenses		**12,622**	16,986
Legal and professional fees		**13,282**	25,128
Depreciation		**101,173**	109,646
Other operating expenses:			
(Reversal of provision for)/provision for impairment losses arising from Participants' default on market contracts	12(a)	**(330)**	163,203
Others	12(b)	**107,324**	114,181
	4	**1,492,949**	1,620,953
PROFIT BEFORE TAXATION	4/13	**5,542,091**	5,928,137
TAXATION	16(a)	**(838,047)**	(799,506)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	42	**4,704,044**	5,128,631
Earnings per share			
Basic	18(a)	**$4.38**	$4.78
Diluted	18(b)	**$4.36**	$4.75

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

(Financial figures are expressed in Hong Kong Dollar)

	2009	As restated 2008
	$'000	$'000
Profit attributable to shareholders	**4,704,044**	5,128,631
Other comprehensive income:		
Available-for-sale financial assets:		
Change in fair value during the year	**-**	111,494
Change in fair value up to maturity	**(113,265)**	(54,451)
Less: Reclassification adjustment:		
Gains included in profit or loss on disposal	**(2,520)**	(4,678)
Deferred tax	**19,104**	(8,565)
Other comprehensive income attributable to shareholders, net of tax	**(96,681)**	43,800
Total comprehensive income attributable to shareholders	**4,607,363**	5,172,431

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

(Financial figures are expressed in Hong Kong Dollar)

	Share capital, share premium and shares held for Share Award Scheme (note 37) $'000	Employee share-based compensation reserve (note 38) $'000	Other comprehensive income: Revaluation reserves (note 39) $'000	Designated reserves (note 40) $'000	Retained earnings (note 42) $'000	Total equity $'000
At 1 Jan 2008, as previously reported	1,288,652	49,669	56,036	694,853	6,288,138	8,377,348
Effect of changes in accounting policies (note 2(b))	-	-	-	-	(1,415)	(1,415)
At 1 Jan 2008, as restated	1,288,652	49,669	56,036	694,853	6,286,723	8,375,933
Total comprehensive income attributable to shareholders	-	-	43,800	-	5,128,631	5,172,431
2007 final dividend at $3.40 per share	-	-	-	-	(3,646,159)	(3,646,159)
2008 interim dividend at $2.49 per share	-	-	-	-	(2,673,375)	(2,673,375)
Unclaimed dividends forfeited	-	-	-	-	2,566	2,566
Shares issued under employee share option schemes	66,533	-	-	-	-	66,533
Shares purchased for Share Award Scheme	(32,494)	-	-	-	-	(32,494)
Vesting of shares of Share Award Scheme	15,043	(12,016)	-	-	(3,027)	-
Employee share-based compensation benefits	-	28,179	-	-	-	28,179
Transfer of reserves	18,800	(18,800)	(3,155)	(142,470)	145,625	-
At 31 Dec 2008, as restated	1,356,534	47,032	96,681	552,383	5,240,984	7,293,614
At 1 Jan 2009, as previously reported	**1,356,534**	**47,032**	**96,681**	**552,383**	**5,242,692**	**7,295,322**
Effect of changes in accounting policies (note 2(b))	**-**	**-**	**-**	**-**	**(1,708)**	**(1,708)**
At 1 Jan 2009, as restated	**1,356,534**	**47,032**	**96,681**	**552,383**	**5,240,984**	**7,293,614**
Total comprehensive income attributable to shareholders	**-**	**-**	**(96,681)**	**-**	**4,704,044**	**4,607,363**
2008 final dividend at $1.80 per share	**-**	**-**	**-**	**-**	**(1,934,708)**	**(1,934,708)**
2009 interim dividend at $1.84 per share	**-**	**-**	**-**	**-**	**(1,978,110)**	**(1,978,110)**
Unclaimed dividends forfeited	**-**	**-**	**-**	**-**	**3,914**	**3,914**
Shares issued under employee share option schemes	**23,238**	**-**	**-**	**-**	**-**	**23,238**
Shares purchased for Share Award Scheme	**(8,568)**	**-**	**-**	**-**	**-**	**(8,568)**
Vesting of shares of Share Award Scheme	**22,121**	**(17,777)**	**-**	**-**	**(4,344)**	**-**
Employee share-based compensation benefits	**-**	**20,583**	**-**	**-**	**-**	**20,583**
Transfer of reserves	**6,759**	**(6,759)**	**-**	**11,018**	**(11,018)**	**-**
At 31 Dec 2009	**1,400,084**	**43,079**	**-**	**563,401**	**6,020,762**	**8,027,326**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

(Financial figures are expressed in Hong Kong Dollar)

	Note	**At 31 Dec 2009 $'000**	As restated At 31 Dec 2008 $'000	As restated At 1 Jan 2008 $'000
NON-CURRENT ASSETS				
Fixed assets	19(a)	**302,721**	370,078	376,809
Financial assets measured at fair value through profit or loss	20	**1,559,405**	-	-
Available-for-sale financial assets	21	**-**	-	481,666
Financial assets at amortised cost	22	**-**	47,172	19,177
Financial assets measured at amortised cost	23	**767,933**	-	-
Deferred tax assets	35(e)	**3,563**	4,429	3,610
Other assets		**3,207**	3,207	3,212
		2,636,829	424,886	884,474
CURRENT ASSETS				
Accounts receivable, prepayments and deposits	24	**11,334,370**	8,535,392	18,367,345
Financial assets at fair value through profit or loss	25	**-**	3,020,035	2,996,555
Financial assets measured at fair value through profit or loss	20	**12,465,473**	-	-
Available-for-sale financial assets	21	**-**	19,394,095	19,681,853
Financial assets at amortised cost	22	**-**	3,664,012	3,190,733
Financial assets measured at amortised cost	23	**4,157,247**	-	-
Cash and cash equivalents	26	**14,738,083**	27,783,692	42,768,745
		42,695,173	62,397,226	87,005,231
Non-current assets held for sale	28	**-**	-	64,092
		42,695,173	62,397,226	87,069,323
CURRENT LIABILITIES				
Participants' contributions to Clearing House Funds	29	**722,726**	197,520	1,252,355
Margin deposits from Clearing Participants on derivatives contracts	30	**20,242,938**	41,839,991	55,428,888
Cash collateral from HKSCC Clearing Participants	31	**3,431,725**	3,599,902	2,719,588
Accounts payable, accruals and other liabilities	32	**11,827,011**	8,894,102	18,741,921
Other financial liabilities	33	**42,174**	118,485	37,139
Deferred revenue		**423,998**	392,688	375,174
Taxation payable		**260,911**	141,363	687,726
Provisions	34(a)	**33,397**	36,290	29,630
		36,984,880	55,220,341	79,272,421
NET CURRENT ASSETS		**5,710,293**	7,176,885	7,796,902
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,347,122**	7,601,771	8,681,376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	Note	At 31 Dec 2009 $'000	As restated At 31 Dec 2008 $'000	As restated At 1 Jan 2008 $'000
NON-CURRENT LIABILITIES				
Participants' contributions to Clearing House Funds	29	**276,000**	252,000	244,500
Deferred tax liabilities	35(e)	**17,954**	30,674	36,815
Provisions	34(a)	**25,842**	25,483	24,128
		319,796	308,157	305,443
NET ASSETS		**8,027,326**	7,293,614	8,375,933
CAPITAL AND RESERVES				
Share capital	37	**1,076,190**	1,074,886	1,070,285
Share premium	37	**375,595**	346,902	266,170
Shares held for Share Award Scheme	37	**(51,701)**	(65,254)	(47,803)
Employee share-based compensation reserve	38	**43,079**	47,032	49,669
Revaluation reserves	39	**-**	96,681	56,036
Designated reserves	40	**563,401**	552,383	694,853
Retained earnings	42	**6,020,762**	5,240,984	6,286,723
SHAREHOLDERS' FUNDS		**8,027,326**	7,293,614	8,375,933
TOTAL ASSETS		**45,332,002**	62,822,112	87,953,797
TOTAL LIABILITIES		**37,304,676**	55,528,498	79,577,864
SHAREHOLDERS' FUNDS PER SHARE		**$7.46**	$6.79	$7.83

Approved by the Board of Directors on 4 March 2010

Ronald Joseph ARCULLI
Director

LI Xiaojia, Charles
Director

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

(Financial figures are expressed in Hong Kong Dollar)

	Note	At 31 Dec 2009 $'000	As restated At 31 Dec 2008 $'000	As restated At 1 Jan 2008 $'000
NON-CURRENT ASSETS				
Fixed assets	19(b)	**28,459**	23,237	19,206
Investments in subsidiaries	36(a)	**4,156,588**	4,156,588	4,156,588
Contributions to HKEx Employee Share Trust	36(d)	**44,078**	56,946	43,635
Financial assets at amortised cost	22	**-**	720	481
Financial assets measured at amortised cost	23	**10,036**	-	-
Deferred tax assets	35(e)	**3,563**	4,393	3,610
Other assets		**3,089**	3,089	3,089
		4,245,813	4,244,973	4,226,609
CURRENT ASSETS				
Accounts receivable, prepayments and deposits	24	**14,575**	17,434	17,136
Amounts due from subsidiaries	36(b)	**2,798,007**	1,839,066	1,171,921
Available-for-sale financial assets	21	**-**	8,220	-
Financial assets at amortised cost	22	**-**	142,167	46,880
Financial assets measured at amortised cost	23	**92,728**	-	-
Cash and cash equivalents	26	**27,486**	31,680	20,184
		2,932,796	2,038,567	1,256,121
CURRENT LIABILITIES				
Accounts payable, accruals and other liabilities	32	**180,334**	175,211	167,044
Amounts due to subsidiaries	36(b)	**483,565**	32,269	522,218
Other financial liabilities	33	**11,390**	11,390	11,390
Taxation payable		**18,026**	24,052	12,982
Provisions	34(b)	**33,397**	35,104	29,630
		726,712	278,026	743,264
NET CURRENT ASSETS		**2,206,084**	1,760,541	512,857
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,451,897**	6,005,514	4,739,466
NON-CURRENT LIABILITIES				
Provisions	34(b)	**634**	634	575
NET ASSETS		**6,451,263**	6,004,880	4,738,891
CAPITAL AND RESERVES				
Share capital	37	**1,076,190**	1,074,886	1,070,285
Share premium	37	**375,595**	346,902	266,170
Employee share-based compensation reserve	38	**43,079**	47,032	49,669
Revaluation reserves	39	**-**	111	-
Merger reserve	41	**2,997,115**	2,997,115	2,997,115
Retained earnings	42	**1,959,284**	1,538,834	355,652
SHAREHOLDERS' FUNDS		**6,451,263**	6,004,880	4,738,891
TOTAL ASSETS		**7,178,609**	6,283,540	5,482,730
TOTAL LIABILITIES		**727,346**	278,660	743,839
SHAREHOLDERS' FUNDS PER SHARE		**$5.99**	$5.59	$4.43

Approved by the Board of Directors on 4 March 2010

Ronald Joseph ARCULLI
Director

LI Xiaojia, Charles
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Financial figures are expressed in Hong Kong Dollar)

	Note	2009 $'000	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash inflow from operating activities	43	**4,373,998**	5,049,315
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of fixed assets		**(47,483)**	(221,378)
Net proceeds from sales of properties		-	132,733
Net proceeds from sales of fixed assets		**601**	2,435
Net (increase)/decrease in financial assets of Corporate Funds:			
(Increase)/decrease in time deposits with original maturities more than three months		**(237,289)**	245,278
Payments for purchases of available-for-sale financial assets		**(464,900)**	(4,592,100)
Net proceeds from sales or maturity of available-for-sale financial assets		**3,013,294**	5,117,831
Payments for purchases of financial assets measured at amortised cost (excluding bank deposits)		**(1,285,161)**	-
Payments for purchases of financial assets measured at fair value through profit or loss		**(1,751,998)**	-
Interest received from available-for-sale financial assets		**187,601**	524,732
Interest received from financial assets measured at amortised cost (excluding bank deposits)		**977**	-
Interest received from financial assets measured at fair value through profit or loss and financial assets at fair value through profit or loss		**80,050**	-
Net cash (outflow)/inflow from investing activities		**(504,308)**	1,209,531
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares under employee share option schemes		**23,238**	66,533
Purchases of shares for Share Award Scheme		**(8,568)**	(32,494)
Dividends paid		**(3,889,421)**	(6,281,846)
Net cash outflow from financing activities		**(3,874,751)**	(6,247,807)
Net (decrease)/increase in cash and cash equivalents		**(5,061)**	11,039
Cash and cash equivalents at 1 Jan		**4,755,750**	4,744,711
Cash and cash equivalents at 31 Dec		**4,750,689**	4,755,750
Analysis of cash and cash equivalents			
Cash collateral received – cash at bank		**3,431,725**	3,599,902
Cash at bank and in hand		**616,592**	620,885
Time deposits with original maturities within three months		**702,372**	534,963
Cash and cash equivalents at 31 Dec	26	**4,750,689**	4,755,750

The cash and cash equivalents of the Clearing House Funds and Margin Funds are held in segregated accounts for specific purposes and therefore are not included in cash and cash equivalents of the Group for cash flow purpose.

NOTES TO THE CONSOLIDATED ACCOUNTS

(Financial figures are expressed in Hong Kong Dollar)

1. General Information

Hong Kong Exchanges and Clearing Limited ("HKEx") and its subsidiaries (collectively, the "Group") own and operate the only stock exchange and futures exchange in Hong Kong and their related clearing houses.

HKEx is a limited company incorporated and domiciled in Hong Kong. The address of its registered office is 12th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

These consolidated accounts were approved for issue by the Board of Directors ("Board") on 4 March 2010.

2. Principal Accounting Policies

(a) Statement of compliance

These consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Main Board Listing Rules").

(b) Basis of preparation

These consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The areas involving higher degree of judgement, or areas where assumptions and estimates are significant to the consolidated accounts are disclosed in note 3.

<u>Adoption of new / revised HKFRSs</u>

In 2009, the Group adopted the amendments to HKFRS 7: Improving Disclosures about Financial Instruments, which were the only new/revised HKFRS effective in 2009 relevant to its operations.

The amendments to HKFRS 7 require enhanced disclosure about fair value measurement and liquidity risk of financial instruments. In particular, the amendments require the disclosure of fair value measurement of financial instruments into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transition provisions, under which comparative information for the newly required disclosures about the fair value measurements has not been provided. The adoption of amendments to HKFRS 7 only results in additional disclosures.

2. Principal Accounting Policies (continued)

(b) Basis of preparation (continued)

Early adoption of new / revised HKFRSs

In the fourth quarter of 2009, the Group early adopted all new/revised HKFRSs issued up to 31 December 2009 which were pertinent to its operations where early adoption is permitted. The applicable HKFRSs are set out below:

HKFRS 9: Financial Instruments
HKAS 24 (Revised): Related Party Disclosures
Improvements to HKFRSs (2009)

HKFRS 9 is the first part of a project to replace HKAS 39: Financial Instruments: Recognition and Measurement, and it replaces the classification and measurement requirements in HKAS 39 for financial assets. Previously, financial assets of the Group were classified as financial assets at fair value through profit or loss, available-for-sale financial assets or loans and receivables (which included bank deposits) (note 2(q)(i)). The early adoption of HKFRS 9 has resulted in a change in accounting policy, and financial assets are classified into financial assets measured at fair value through profit or loss or financial assets measured at amortised cost. As HKFRS 9 was only issued in November 2009, the Group first applied the requirements of HKFRS 9 on 31 December 2009, which was not at the beginning of the reporting period. Details of the changes in measurement category of financial assets as at the date of initial application are disclosed in note 2(b) under the caption, "Adoption of HKFRS 9 – Re-designation of financial assets on 31 December 2009". Under the transitional provisions, HKFRS 9 was applied to financial assets extant at the date of initial application (ie, 31 December 2009) and comparative figures were not restated. No adjustments to retained earnings or revaluation reserves were required as at 1 January 2009 because the available-for-sale financial assets as at 31 December 2009 solely comprised those assets purchased during 2009 and there was no reclassification from financial assets at fair value through profit or loss to financial assets measured at amortised cost or from loans and receivables to financial assets measured at fair value through profit or loss at that date. There are consequential amendments to certain provisions of HKFRS 7, which the Group has also early adopted in the accounts.

HKAS 24 (Revised) amends the definition of a related party and provides disclosure exemption for government-related entities. It requires retrospective application. The early adoption of HKAS 24 (revised 2009) did not have any financial impact to the Group as it only affects the extent of disclosure of significant related party transactions.

The Improvements to HKFRSs (2009) comprise a number of minor and non-urgent amendments to a range of HKFRSs. Of these, the following three amendments are pertinent to the Group's operations:

HKAS 17: Leases
HKFRS 8: Operating Segments
HKAS 7: Statement of Cash Flows

2. Principal Accounting Policies (continued)

(b) Basis of preparation (continued)

Early adoption of new / revised HKFRSs (continued)

The early adoption of the amendment to HKAS 17 has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, leasehold land was classified as an operating lease and stated at cost less accumulated amortisation. In accordance with the amendment, leasehold land is classified as a finance lease and stated at cost less accumulated depreciation if substantially all risks and rewards of the leasehold land have been transferred to the Group. As the present value of the minimum lease payments (ie, the transaction price) of the land held by the Group amounted to substantially all of the fair value of the land as if it were freehold, the leasehold land of the Group has been classified as a finance lease. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases. The amendment does not apply to the leasehold land disposed of by the Group in prior years.

HKFRS 8 is amended to state that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision-makers. It requires retrospective application. As such information is not regularly reported to the chief operating decision-makers of the Group, it is not disclosed in the information on operating segments.

HKAS 7 is amended to state explicitly that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. It requires retrospective application. The early adoption of the amendment does not have any impact on the presentation of the Group's consolidated statement of cash flows as the Group's accounting policy already complies with this amendment.

Change in accounting policy for the measurement of leasehold building

The Group has changed its accounting policy for measurement of leasehold building to cost less accumulated depreciation instead of depreciated replacement cost. This change means that the building component and the more significant land component of property leases are measured on the same basis. The change has been applied retrospectively to unexpired leases at the date of change of accounting policy. The effect of the change is shown in the tables below under the column HKAS 17 and building.

Effect of changes in accounting policies on consolidated income statement

	Group				
	Effect of adopting				
	HKAS 17 and building		HKFRS 9	Total	
	2009 $'000	2008 $'000	**2009 $'000**	**2009 $'000**	2008 $'000
Increase in net investment income	**-**	-	**29,529**	**29,529**	-
Decrease in premises expenses (land)	**510**	509	**-**	**510**	509
Increase in depreciation *	**(846)**	(833)	**-**	**(846)**	(833)
Decrease/(increase) in other operating expenses (building)	**200**	(12)	**-**	**200**	(12)
Decrease/(increase) in taxation	**13**	43	**(4,514)**	**(4,501)**	43
Total (decrease)/increase in profit	**(123)**	(293)	**25,015**	**24,892**	(293)
(Decrease)/increase in basic earnings per share	**(0.01 cent)**	(0.03 cent)	**2.33 cents**	**2.32 cents**	(0.03 cent)
(Decrease)/increase in diluted earnings per share	**(0.01 cent)**	(0.03 cent)	**2.32 cents**	**2.31 cents**	(0.03 cent)

* Included depreciation for land of $510,000 (2008: $509,000) and depreciation for building of $336,000 (2008: $324,000).

2. Principal Accounting Policies (continued)

(b) Basis of preparation (continued)

Effect of changes in accounting policies on statements of financial position

	Group						
	Effect of adopting						
	HKAS 17 and building			HKFRS 9	Total		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Increase/(decrease) in assets							
Fixed assets *	**58,253**	58,899	59,744	**-**	**58,253**	58,899	59,744
Lease premium for land (current and non-current)	**(60,198)**	(60,708)	(61,217)	**-**	**(60,198)**	(60,708)	(61,217)
Financial assets at fair value through profit or loss (current and non-current)	**-**	-	-	**(6,128,894)**	**(6,128,894)**	-	-
Financial assets measured at fair value through profit or loss (current and non-current)	**-**	-	-	**14,024,878**	**14,024,878**	-	-
Available-for-sale financial assets (current and non-current)	**-**	-	-	**(9,188,368)**	**(9,188,368)**	-	-
Financial assets at amortised cost (current and non-current)	**-**	-	-	**(3,629,268)**	**(3,629,268)**	-	-
Financial assets measured at amortised cost (current and non-current)	**-**	-	-	**4,925,180**	**4,925,180**	-	-
Deferred tax assets	**-**	-	-	**75**	**75**	-	-
Increase/(decrease) in liabilities/equity							
Taxation payable	**-**	-	-	**1,353**	**1,353**	-	-
Deferred tax liabilities	**(114)**	(101)	(58)	**(1,054)**	**(1,168)**	(101)	(58)
Revaluation reserves	**-**	-	-	**(21,711)**	**(21,711)**	-	-
Retained earnings	**(1,831)**	(1,708)	(1,415)	**25,015**	**23,184**	(1,708)	(1,415)

* Included the increase due to the effect of HKAS 17 of $60,198,000 as at 31 December 2009 (31 December 2008 and 1 January 2008: $60,708,000 and $61,217,000 respectively) and the decrease due to the change in accounting policy for leasehold building of $1,945,000 as at 31 December 2009 (31 December 2008: $1,809,000 and $1,473,000 respectively).

	HKEx
	Effect of adopting HKFRS 9
	At 31 Dec 2009 $'000
Increase/(decrease) in assets	
Available-for-sale financial assets (current and non-current)	**(72,387)**
Financial assets at amortised cost (current and non-current)	**(30,834)**
Financial assets measured at amortised cost (current and non-current)	**102,764**
Deferred tax assets	**75**
Increase/(decrease) in equity	
Revaluation reserves	**(382)**

2. Principal Accounting Policies (continued)

(b) Basis of preparation (continued)

Change in presentation of financial assets of Margin Funds, Clearing House Funds and Corporate Funds

Previously, financial assets of the Margin Funds, Clearing House Funds and Corporate Funds were presented separately on the face of the consolidated statement of financial position.

In 2009, as a simplification of the presentation of the consolidated statement of financial position, the financial assets of all Funds are combined and presented together according to their classification under HKFRS 9 or HKAS 39.

Comparative figures have been adjusted to conform with the changes in presentation.

Reclassification of financial guarantee contracts

In previous years, financial guarantee contracts were included as non-current liabilities as the amounts were not expected to be payable within twelve months. From 2009 onwards, the amounts are reclassified as current liabilities and included in "Other financial liabilities", as it is the Group's practice to pay the holders of the financial guarantee contracts when they demand payment.

Comparative figures have been adjusted to conform with the changes in presentation.

Change in presentation of cash collateral received from Hong Kong Securities Clearing Company Limited ("HKSCC") Clearing Participants

In previous years, the obligation to refund cash collateral received from HKSCC Clearing Participants was included in "Accounts payable, accruals and other liabilities" in the consolidated statement of financial position.

Since the default of Lehman Brothers Securities Asia Limited in September 2008, cash collateral requirements have increased substantially compared to prior years. Therefore, in 2009, as an enhancement to the presentation of the consolidated statement of financial position, the obligation to refund the cash collateral received from HKSCC Clearing Participants is shown as "Cash collateral from HKSCC Clearing Participants" under current liabilities in the consolidated statement of financial position.

Comparative figures have been adjusted to conform with the enhanced disclosure. This change has no effect on the consolidated income statement and the consolidated statement of cash flows.

Adoption of HKFRS 9 - Re-designation of financial assets on 31 December 2009

The table below presents the original measurement category and carrying amount for each class of financial assets of the Group and HKEx determined in accordance with HKAS 39 and the new measurement category and carrying amount determined in accordance with HKFRS 9 at the date of initial application (ie, 31 December 2009).

2. Principal Accounting Policies (continued)

(b) Basis of preparation (continued)

Adoption of HKFRS9 - Re-designation of financial assets on 31 December 2009 (continued)

Group

Original measurement category and carrying amount in accordance with HKAS 39		New measurement category and carrying amount in accordance with HKFRS 9	
Original measurement category	Original carrying amount $'000	Financial assets measured at amortised cost $'000	Financial assets mandatorily measured at fair value through profit or loss $'000
Financial assets at fair value through profit or loss, on designation	2,946,253	-	2,946,253
Financial assets at fair value through profit or loss, held for trading	3,182,641	-	3,182,641
Available-for-sale financial assets	9,188,368	1,295,912	7,895,984
Loans and receivables:			
Financial assets at amortised cost	3,629,268	3,629,268	-
Accounts receivable and deposits*	11,319,690	11,319,690	-
Cash and cash equivalents *	14,738,083	14,738,083	-

HKEx

Original measurement category and carrying amount in accordance with HKAS 39		New measurement category and carrying amount in accordance with HKFRS 9	
Original measurement category	Original carrying amount $'000	Financial assets measured at amortised cost $'000	Financial assets mandatorily measured at fair value through profit or loss $'000
Available-for-sale financial assets	72,387	71,930	-
Loans and receivables:			
Financial assets at amortised cost	30,834	30,834	-
Accounts receivable and deposits*	1	1	-
Amounts due from subsidiaries*	2,798,007	2,798,007	-
Cash and cash equivalents*	27,486	27,486	-

* captions of these items have remained unchanged as they are accounted for at amortised cost under both HKAS 39 and HKFRS 9.

The Group did not designate or de-designate any financial assets as measured at fair value through profit or loss on the date of initial application.

Effects of HKFRSs issued after 31 December 2009 and up to the date of approval of the consolidated accounts

Subsequent to 31 December 2009 and up to the date of approval of these consolidated accounts, the HKICPA has issued certain new/revised HKFRSs but they are not applicable to the Group's operations.

2. Principal Accounting Policies (continued)

(c) Consolidation

The Group adopted merger accounting in the preparation of the consolidated accounts at the time of the merger of the Group in 2000. The consolidated accounts include the accounts of HKEx and all of its subsidiaries made up to 31 December.

Subsidiaries and controlled special purpose entities are entities over which HKEx, directly or indirectly, 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.

The accounts of subsidiaries and controlled special purpose entities are included in the consolidated accounts from the date on which control commences until the date that control ceases. All material intra-group transactions and balances have been eliminated on consolidation.

In HKEx's statement of financial position, investments in subsidiaries and contributions to The HKEx Employees' Share Award Scheme ("HKEx Employee Share Trust"), a controlled special purpose entity, are stated at cost less provision for any impairment, if necessary. The results of subsidiaries are accounted for by HKEx on the basis of dividends received and receivable.

(d) Turnover

Turnover comprises trading fees and trading tariff, Stock Exchange listing fees, clearing and settlement fees, depository, custody and nominee services fees, income from sale of information, net investment income (including investment income net of interest rebates to Participants of Clearing House Funds) and other revenue.

(e) Revenue and other income recognition

Revenue and other income are recognised in the consolidated income statement on the following basis:

(i) Trading fees and trading tariff are recognised on a trade date basis.

(ii) Initial listing fees for initial public offering ("IPO") are recognised upon the listing of an applicant, cancellation of the application or six months after submission of the application, whichever is earlier. Initial listing fees for warrants, callable bull/bear contracts and other securities are recognised upon the listing of the securities. Income from annual listing fees is recognised on a straight-line basis over the period covered by the respective fees received in advance.

(iii) Fees for clearing and settlement of trades between Participants in eligible securities transacted on the The Stock Exchange of Hong Kong Limited ("Stock Exchange") are recognised in full on T+1, ie, on the day following the trade day, upon acceptance of the trades. Fees for other settlement transactions are recognised upon completion of the settlement.

(iv) Custody fees for securities held in the Central Clearing and Settlement System ("CCASS") depository are calculated and accrued on a monthly basis. Income on registration and transfer fees on nominee services are calculated and accrued on the book close dates of the relevant stocks during the financial year.

2. Principal Accounting Policies (continued)

(e) Revenue and other income recognition (continued)

(v) Income from sale of information and other fees are recognised when the related services are rendered.

(vi) Interest income on investments represents gross interest income from bank deposits and securities and is recognised on a time apportionment basis using the effective interest method.

Interest income on impaired loans is recognised using the original effective interest rate.

(f) Net investment income

Net investment income comprises interest income (net of interest rebates to Participants), net realised and unrealised gains/losses on financial assets and financial liabilities and dividend income, which is presented on the face of the consolidated income statement as part of other income.

(g) Interest expenses

Interest expenses (including interest rebates to Participants for Clearing House Funds, Margin Funds and cash collateral) are recognised on a time apportionment basis, taking into account the principal outstanding and the applicable interest rates using the effective interest method. All interest expenses are charged to profit or loss in the year in which they are incurred.

(h) Employee benefit costs

(i) Employee leave entitlements

The cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount the Group expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Equity compensation benefits

For share options granted under the Post-Listing Share Option Scheme ("Post-Listing Scheme") and HKEx shares ("Awarded Shares") granted under the employees' share award scheme ("Share Award Scheme"), the fair value of the employee services received in exchange for the grant of the options and the Awarded Shares is recognised as employee share-based compensation expense and credited to an employee share-based compensation reserve under equity over the period in which the vesting conditions (ie, service conditions) are fulfilled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted and Awarded Shares awarded and purchased with contributions paid to the HKEx Employee Share Trust.

At the end of each reporting period, the Group revises its estimates of the number of options and Awarded Shares that are expected to ultimately vest. The impact of the revision is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the employee share-based compensation reserve.

Share options granted under the Pre-Listing Share Option Scheme ("Pre-Listing Scheme") are not expensed as the options were granted before 7 November 2002 and not subject to the requirements of HKFRS 2.

When the options are exercised, the proceeds received are credited to share capital (nominal value) and share premium, and the associated amount in the employee share-based compensation reserve, if any, is transferred to share premium.

2. Principal Accounting Policies (continued)

(h) Employee benefit costs (continued)

(ii) Equity compensation benefits (continued)

Contributions made by HKEx to the HKEx Employee Share Trust for shares not yet vested are recorded as "Contributions to HKEx Employee Share Trust" in HKEx's statement of financial position. For HKEx, when Awarded Shares purchased with contributions paid to HKEx Employee Share Trust are vested, the related cost of vested shares recognised is released from the employee share-based compensation reserve to eliminate the related amount of "Contributions to HKEx Employee Share Trust".

(iii) Retirement benefit costs

Contributions to the defined contribution provident fund regulated under the Occupational Retirement Schemes Ordinance ("ORSO") and operated by the Group and the AIA-JF Premium MPF Scheme are expensed as incurred. Forfeited contributions of the provident fund for employees who leave before the contributions are fully vested are not used to offset existing contributions but are credited to a reserve account of that provident fund. Reserves of the provident fund representing forfeited employer's contributions are available for distribution to the provident fund members at the discretion of the trustees. Assets of the provident fund and the AIA-JF Premium MPF Scheme are held separately from those of the Group and are independently administered.

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals under such operating leases net of any incentives received from the leasing company are charged to profit or loss on a straight-line basis over the lease term.

(j) Finance leases

Leases where substantially all the rewards and risks of ownership are transferred to the Group are accounted for as finance leases. Finance leases are capitalised at the commencement of the leases at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

(k) Fixed assets

Tangible fixed assets (including the land and building components of owner-occupied leasehold properties) are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

2. Principal Accounting Policies (continued)

(k) Fixed assets (continued)

Tangible fixed assets are depreciated at rates sufficient to write off their costs net of expected residual values over their estimated useful lives on a straight-line basis. The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The useful lives of major categories of fixed assets are as follows:

Leasehold land	Over the remaining lives of the leases
Leasehold buildings	25 years
Leasehold improvements	Over the remaining lives of the leases but not exceeding 5 years
Computer trading and clearing systems	
- hardware and software	5 years
Other computer hardware and software	3 years
Furniture, equipment and motor vehicles	3 to 5 years

Qualifying software system development expenditures are capitalised and recognised as a fixed asset as the software forms an integral part of the hardware on which it operates.

Subsequent costs and qualifying development expenditures incurred after the completion of a system are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with that item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs and other subsequent expenditures are charged to profit or loss during the year in which they are incurred.

(l) Impairment of non-financial assets

Assets are reviewed for impairment whenever there is any indication that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (ie, the higher of an asset's fair value less costs to sell and value in use). Such impairment losses are recognised in profit or loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is recognised in other comprehensive income and treated as a decline in revaluation.

Impairment loss is reversed if the circumstances and events leading to the impairment cease to exist.

(m) Margin Funds on derivatives contracts

Margin Funds are established by cash received or receivable from The SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKCC") Clearing Participants for covering their open positions in derivatives contracts. The funds are refundable to the Clearing Participants when they close their positions in derivatives contracts. These funds are held in segregated accounts of the respective clearing houses for this specific purpose and cannot be used by the Group to finance any other activities. The funds are invested in financial assets to manage the liquidity requirements of the Margin Funds and earn investment income. The financial assets will be liquidated whenever liquid funds are required.

2. Principal Accounting Policies (continued)

(m) Margin Funds on derivatives contracts (continued)

The obligation to refund the margin deposits is disclosed as Margin deposits from Clearing Participants on derivatives contracts under current liabilities. Non-cash collateral (ie, securities and bank guarantees) received from Clearing Participants is held off the consolidated statement of financial position.

(n) Clearing House Funds

The Clearing House Funds were established to support the respective clearing houses (ie, HKSCC, HKCC and SEOCH) to fulfil their counterparty obligations in the event that one or more of their Clearing Participants fail to meet their obligations to the clearing houses. The Clearing House Fund of HKSCC (ie, HKSCC Guarantee Fund) also provides resources to enable HKSCC to discharge the liabilities and obligations of defaulting Clearing Participants arising from depositing defective securities into the CCASS. Contributions are made to the Clearing House Funds by the Clearing Participants and the respective clearing houses. The funds are for the stated specific purposes only and the funds cannot be used to finance any other activities of the Group. These funds are therefore held in segregated accounts of the respective clearing houses. The funds are invested in financial assets to manage the liquidity requirements of the Clearing House Funds and earn investment income. The financial assets will be liquidated whenever liquid funds are required.

Clearing Participants' contributions to Clearing House Funds are treated as non-current liabilities in the consolidated statement of financial position with the exception of those amounts which are refundable to Participants within twelve months and are included as current liabilities. Non-cash collateral of the Clearing House Funds (ie, contributions receivable from Clearing Participants fully secured by bank guarantees) is held off the consolidated statement of financial position. Contributions from the respective clearing houses and the accumulated net investment income net of expenses of the Clearing House Funds appropriated from retained earnings are included in the consolidated statement of financial position as designated reserves.

Net investment income net of expenses of the Clearing House Funds is appropriated from retained earnings to the respective designated reserves of the Clearing House Funds.

(o) Cash collateral received from HKSCC Clearing Participants

Cash collateral received from HKSCC Clearing Participants for their open positions are included as part of cash and cash equivalents of the Group. As these funds are refundable to the Participants when they settle their positions, the collateral received are reflected as liabilities to the Participants and disclosed as Cash collateral from HKSCC Clearing Participants under current liabilities.

Cash collateral are invested in short-term bank deposits to earn investment income.

(p) Derivative financial instruments

Derivatives, which may include forward foreign exchange contracts, futures and options contracts, are initially recognised at fair value on trade-date and subsequently remeasured at their fair values. Changes in fair value, based on quoted market prices in active markets or recent market transactions, are recognised in profit or loss. All derivatives are classified as financial assets measured at fair value through profit or loss when their fair values are positive and as financial liabilities at fair value through profit or loss when their fair values are negative.

2. Principal Accounting Policies (continued)

(q) Financial assets

(i) Classification

For financial assets extant at 31 December 2009

Following the adoption of HKFRS 9, investments and other financial assets of the Group extant at 31 December 2009 are classified under the following categories:

Financial assets measured at amortised cost

Investments are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows for managing liquidity and generating income on its investment, but not for the purpose of realising fair value gains; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, with interest being the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and are unleveraged.

Bank deposits, trade and accounts receivable and other deposits are also classified under this category.

Financial assets measured at fair value through profit or loss

Investments and other financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost.

Securities or bank deposits with embedded derivatives are classified in their entirety as measured at fair value through profit or loss, where the economic characteristics and risks of the embedded derivatives are dissimilar to those of the host contracts and modify the contractual cash flows, such that they are not solely payments of principal and interest on the principal amount outstanding or the interest rate does not reflect only consideration for the time value of money and credit risk.

Financial assets, which include those held for trading purpose, are classified as current assets unless they are non-trading assets held in Corporate Funds that are expected to mature after twelve months as at the end of the reporting period and, in which case, they are included in non-current assets. For equities and mutual funds which have no maturity date, they are included in current assets.

For financial assets held before 31 December 2008 or financial assets derecognised prior to 31 December 2009

Investments and other financial assets of the Group which were held before 31 December 2008 or derecognised prior to 31 December 2009 were classified under the following categories:

2. Principal Accounting Policies (continued)

(q) Financial assets (continued)

(i) Classification (continued)

For financial assets held before 31 December 2008 or financial assets derecognised prior to 31 December 2009 (continued)

Financial assets at fair value through profit or loss

This category comprised financial assets held for trading and financial assets designated as fair value through profit or loss at inception if the designation related to financial instruments containing one or more embedded derivatives that significantly modified the cash flows arising from those financial instruments.

Securities or bank deposits with embedded derivatives whose economic characteristics and risks were not closely related to the host investments were designated as financial assets at fair value through profit or loss.

Available-for-sale financial assets

This category comprised financial assets which were non-derivatives and were designated as available-for-sale financial assets or not classified under other investment categories.

Loans and receivables

Loans and receivables, which comprised bank deposits, trade and accounts receivable, deposits and other assets, were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and the Group had no intention of trading the loans or receivables.

Financial assets were classified as current assets unless the investments were expected to mature after twelve months as at the end of the reporting period and, in which case, they were included in non-current assets. For equities or mutual funds which had no maturity date, they were included in current assets.

(ii) Recognition and initial measurement

Purchases and sales of financial assets are recognised on trade-date. Assets classified as financial assets measured at fair value through profit or loss (for financial assets extant at 31 December 2009) and financial assets at fair value through profit or loss (for financial assets held before 31 December 2008 or derecognised prior to 31 December 2009) are initially recognised at fair value with transaction costs recognised as expenses in profit or loss. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs.

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the Group has transferred substantially all the risks and rewards of ownership of the assets.

2. Principal Accounting Policies (continued)

(q) Financial assets (continued)

(iv) Gains or losses on subsequent measurement and disposal, interest income and dividend income

For financial assets extant at 31 December 2009

Financial assets measured at fair value through profit or loss

- Financial assets under this category are investments carried at fair value. Unrealised gains and losses arising from changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal, the differences between the net sale proceeds and the carrying values are included in profit or loss.
- Interest income is recognised using the effective interest method and included in net realised and unrealised gains/(losses) and interest income from these financial assets.
- Dividend income is recognised when the right to receive a dividend is established and is disclosed separately as dividend income.

Financial assets measured at amortised cost

- Financial assets under this category are carried at amortised cost using the effective interest method less provision for impairment. Gains and losses arising from disposal, being the differences between the net sale proceeds and the carrying values, are recognised in profit or loss.
- Interest income is recognised using the effective interest method and disclosed as interest income.

For financial assets held before 31 December 2008 or financial assets derecognised prior to 31 December 2009

Financial assets at fair value through profit or loss

- Same as financial assets measured at fair value through profit or loss.

Available-for-sale financial assets

- Available-for-sale financial assets were carried at fair value. Unrealised gains and losses (including transaction costs on acquisition) arising from changes in the fair value were recognised in other comprehensive income and transferred to investment revaluation reserve, except for impairment losses on all investments and exchange differences on monetary securities, which are dealt with in profit or loss. When an asset was sold, the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments recognised in other comprehensive income and retained in the investment revaluation reserve were reclassified from investment revaluation reserve to profit or loss as a reclassification adjustment.

2. Principal Accounting Policies (continued)

(q) Financial assets (continued)

(iv) Gains or losses on subsequent measurement and disposal, interest income and dividend income (continued)

For financial assets held before 31 December 2008 or financial assets derecognised prior to 31 December 2009 (continued)

Available-for-sale financial assets (continued)

- Interest income was recognised using the effective interest method and disclosed as interest income.
- Dividend income was recognised when the right to receive a dividend was established and was disclosed as dividend income.

Loans and receivables

- Same as financial assets measured at amortised cost.

(v) Fair value measurement principles

Fair values of quoted investments are based on bid prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis (note 3(d)).

(vi) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses are incurred if and only if there is objective evidence of impairment as a result of one or more loss events that have occurred after the initial recognition of the financial assets and have an impact on their estimated future cash flows that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the debtor or obligor;
- fees receivable that have been outstanding for over 180 days;
- it is becoming probable that the debtor or obligor will enter into bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group.

2. Principal Accounting Policies (continued)

(q) Financial assets (continued)

(vi) Impairment (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics relevant to the estimation of future cash flows. These financial assets are collectively assessed based on historical loss experience on each type of assets and management judgement of the current economic and credit environment.

<u>For financial assets extant at 31 December 2009</u>

<u>Financial assets measured at amortised cost</u>

If there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the assets' carrying amounts and the present values of estimated future cash flows discounted at the financial assets' original effective interest rates. The carrying amounts of the assets are reduced through the use of a doubtful debt allowance account and the amount of the loss is recognised in profit or loss.

When there is no realistic prospect of recovery of a financial asset measured at amortised cost, it is written off against the related provision for impairment loss. Subsequent recovery of the amount previously written off is reversed against the provision for impairment loss in profit or loss.

As soon as a trade receivable becomes impaired, the Group may continue to allow the debtor or obligor concerned to participate in its markets but no further accounts receivable is recognised on the consolidated statement of financial position as economic benefits may not flow to the Group. The revenue concerned is not recognised but tracked as doubtful deferred revenue and will only be recognised as income when cash is received.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the doubtful debt allowance account. The amount of reversal is recognised in profit or loss.

<u>For financial assets held before 31 December 2008 or financial assets derecognised prior to 31 December 2009</u>

<u>Available-for-sale financial assets</u>

If there was objective evidence that an impairment loss on available-for-sale financial assets had been incurred, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss) was reclassified from investment revaluation reserve to profit or loss.

2. Principal Accounting Policies (continued)

(q) Financial assets (continued)

(vi) Impairment (continued)

For financial assets held before 31 December 2008 or financial assets derecognised prior to 31 December 2009 (continued)

Available-for-sale financial assets (continued)

If, in a subsequent period, the fair value of a debt instrument increased and the increase could be related objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss up to the amount previously charged to profit or loss and any further increase in fair value thereafter was recognised in other comprehensive income and credited to investment revaluation reserve.

Loans and receivables

- Same as financial assets measured at amortised cost.

(r) Financial liabilities

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading.

Liabilities under this category are initially recognised at fair value on trade-date and subsequently remeasured at their fair values. Changes in fair value of the liabilities are recognised in profit or loss.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified entity or person fails to make payment when due in accordance with the original or modified terms of an undertaking.

Financial guarantee contracts are initially recognised at fair value. Subsequently, such contracts are measured at the higher of the amount determined in accordance with HKAS 37 and the amount initially recognised less, where appropriate, cumulative amortisation over the life of the guarantee on a straight-line basis.

(iii) Other financial liabilities

Financial liabilities, other than financial liabilities at fair value through profit or loss and financial guarantee contracts, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(s) Recognition of receivables and payables from/to HKSCC Clearing Participants on Stock Exchange trades settled under the Continuous Net Settlement ("CNS") basis

Upon acceptance of Stock Exchange trades for settlement in CCASS under the CNS basis, HKSCC interposes itself between the HKSCC Clearing Participants as the settlement counterparty to the trades through novation.

The CNS money obligations due by/to HKSCC Clearing Participants on the Stock Exchange trades are recognised as receivables and payables when they are confirmed and accepted on T+1.

For all other trades and transactions, HKSCC does not interpose itself between the HKSCC Clearing Participants as the settlement counterparty to the trades. The settlement of these trades does not constitute money obligations and is excluded from the consolidated accounts of the Group.

2. Principal Accounting Policies (continued)

(t) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences or the income tax losses can be utilised. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred tax assets and liabilities. Movements in deferred tax provision are recognised in profit or loss with the exception of deferred tax related to transactions or other events recognised outside profit or loss, which are recognised in other comprehensive income (such as fair value re-measurement of available-for-sale financial assets) or directly in equity (such as an adjustment to the opening balance of retained earnings resulting from a change in accounting policy).

(u) Deferred revenue

Deferred revenue comprises listing fees received in advance, and payments received in advance for services in relation to the sales of stock market information and telecommunication line rentals for trading facilities located at brokers' offices.

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(w) Foreign currency translation

(i) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated accounts are presented in Hong Kong Dollars ("HKD"), which is HKEx's and the Group's functional and presentation currency.

2. Principal Accounting Policies (continued)

(w) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary financial assets that are classified as financial assets measured at fair value through profit or loss are reported as part of the fair value gain or loss.

(x) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and other short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value (mainly time deposits), with original maturities of three months or less.

(y) Shares held for Share Award Scheme

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

Upon vesting, the related costs of the vested Awarded Shares recognised are credited to "Shares held for Share Award Scheme", with a corresponding decrease in employee share-based compensation reserve for shares purchased with contributions paid to the HKEx Employee Share Trust, and decrease in retained earnings for shares purchased through reinvesting dividends received on the vested Awarded Shares.

(z) Operating Segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-makers (note 4).

(aa) Dividends

Dividends disclosed in note 17 to the consolidated accounts represent interim dividend paid and final and special dividends proposed for the year (based on the issued share capital less the number of shares held for the Share Award Scheme as at the end of the reporting period).

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

3. Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future when the consolidated accounts are prepared. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Income taxes

The Group is subject to income taxes in Hong Kong. Judgement is required in determining the provision for income taxes and deferred taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for potential tax exposures based on its estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in the year in which such determination is made.

If the actual taxation charge differed by 10 per cent from management's estimates, the Group's profit would be affected by $84,374,000 (2008: $79,966,000, as restated).

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the estimated level of future taxable profits of the subsidiaries concerned.

As at 31 December 2009, the Group had tax losses carried forward amounting to $315,394,000 (2008: $224,612,000). These losses relate to subsidiaries that have a history of tax losses. They will not expire and may be able to offset against taxable income in the future. If the Group was able to recognise all unrecognised deferred tax assets, the Group's profit would increase by $52,040,000 (2008: $37,061,000).

(c) Impairment of debt instruments measured at amortised cost

Following the adoption of HKFRS 9, the Group has a significant holding of debt instruments as investments that are measured at amortised cost. The Group recognises an impairment loss for an investment in debt instrument when there is objective evidence that the debt instrument is impaired. Objective evidence of an impairment for a debt instrument exists when one or more events have occurred after the initial recognition of the debt instrument that reduce the estimated future cash flows to be received on the debt instrument such as significant financial difficulties of the issuer of the debt instrument, probability that the issuer will enter into bankruptcy or financial reorganisation, and default or delinquency in interest or principal payments.

As at 31 December 2009, the debt instruments that were measured at amortised cost held by the Group amounted to $1,295,912,000 (2008: $Nil). If one percent of the amount of such debt instruments was impaired, the Group's profit would decrease by $12,959,000 (2008: $Nil).

3. Critical Accounting Estimates and Judgements (continued)

(d) Valuation of investments measured at fair value through profit or loss

The Group has a significant amount of investments that are measured at fair value through profit or loss. The valuations are provided by the custodian of the investments, a reputable independent third party custodian bank. The Group also obtains quotations for the investments from other independent sources to verify the accuracy of the fair values of the investments provided by the custodian. If independent quotations are not available, the Group computes the fair values using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis. As the results are comparable, management is of the view that the investments are stated at their fair values.

As at 31 December 2009, the financial assets that are measured at fair value through profit or loss held by the Group amounted to $14,024,878,000 (2008: $3,020,035,000). If the fair value of such financial assets decreased by one percent, the Group's profit would decrease by $140,249,000 (2008: $30,200,000).

(e) Impairment of trade receivables

The Group assesses at the end of each reporting period whether there is objective evidence that the trade receivables of the Group are impaired. In determining whether they are impaired, the Group tests the trade receivables for impairment in accordance with the accounting policy stated in note 2(q)(vi). Management judgement and estimates are required to determine whether a trade receivable is impaired and the appropriate action to recover the trade receivable. The Group closely monitors the debtors' repayment history, and takes regular follow-up actions to recover amounts overdue. If a trade receivable is determined to be impaired, the amount of loss is recognised in profit or loss. The Group will continue to recover the trade receivable from all avenues available to the Group. Other than the exceptional impairment losses caused by the default on market contracts by Lehman Brothers Securities Asia Limited in 2008, the trade receivables are of good credit quality.

4. Operating Segments

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

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

The **Cash Market** business mainly refers to the operations of the Stock Exchange, which covers all products traded on the Cash Market platforms, such as equities, debt securities, unit trusts, callable bull/bear contracts ("CBBCs"), exchange traded funds, warrants and rights. Currently, the Group operates two Cash Market platforms, the Main Board and the Growth Enterprise Market ("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. Stock Exchange listing fees and costs of the Listing Function are further explained in note 6.

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

4. Operating Segments (continued)

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

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

An analysis of the Group's reportable segment profit before taxation and other selected financial information for the year by operating segment is as follows:

	2009					
	Cash Market $'000	**Derivatives Market $'000**	**Clearing Business $'000**	**Information Services $'000**	**Inter-segment elimination (note (b)) $'000**	**Group $'000**
Income from external customers	2,905,000	704,134	2,109,978	694,974	-	6,414,086
Net investment income	134,478	340,199	156,885	822	(11,430)	620,954
	3,039,478	1,044,333	2,266,863	695,796	(11,430)	7,035,040
Operating expenses						
Direct costs	602,129	157,363	332,978	50,117	(11,430)	1,131,157
Indirect costs	175,028	50,851	110,572	25,341	-	361,792
	777,157	208,214	443,550	75,458	(11,430)	1,492,949
Reportable segment profit before taxation	2,262,321	836,119	1,823,313	620,338	-	5,542,091
Interest income	27,581	240,484	34,685	169	(11,430)	291,489
Interest expenses (including interest rebates to Participants):						
- included under net investment income	(2)	(2,883)	(461)	-	-	(3,346)
- others	(13)	(4)	(11,438)	(2)	11,430	(27)
Depreciation	(47,930)	(9,935)	(40,195)	(3,113)	-	(101,173)
Other material non-cash items:						
Employee share-based compensation expenses	(11,889)	(2,248)	(5,008)	(1,438)	-	(20,583)
Reversal of provision for/(provision for) impairment losses	729	224	(114)	(45)	-	794
Additions to fixed assets (ie, non-current assets excluding financial assets and deferred tax assets)	6,512	23,422	3,607	1,154	-	34,695

4. Operating Segments (continued)

	As restated 2008					
	Cash Market $'000	Derivatives Market $'000	Clearing Business $'000	Information Services $'000	Inter-segment elimination (note (b)) $'000	Group $'000
Income from external customers	3,048,703	724,069	2,033,545	674,957	-	6,481,274
Net investment income	69,250	905,454	31,331	246	(7,106)	999,175
Gain on disposal of properties	33,442	11,580	19,116	4,503	-	68,641
	3,151,395	1,641,103	2,083,992	679,706	(7,106)	7,549,090
Operating expenses						
Direct costs	562,874	140,047	513,892	50,297	(7,106)	1,260,004
Indirect costs	165,959	58,006	113,783	23,201	-	360,949
	728,833	198,053	627,675	73,498	(7,106)	1,620,953
Reportable segment profit before taxation	2,422,562	1,443,050	1,456,317	606,208	-	5,928,137
Interest income	111,853	978,864	43,857	398	(7,106)	1,127,866
Interest expenses (including interest rebates to Participants):						
- included under net investment income	(921)	(69,201)	(6,290)	(3)	-	(76,415)
- others	(122)	(42)	(7,193)	(17)	7,106	(268)
Depreciation	(46,515)	(7,169)	(53,334)	(2,628)	-	(109,646)
Other material non-cash items:						
Employee share-based compensation expenses	(15,105)	(3,401)	(7,978)	(1,695)	-	(28,179)
Provision for impairment losses	(1,618)	(57)	(163,259)	(31)	-	(164,965)
Additions to fixed assets (ie, non-current assets excluding financial assets and deferred tax assets)	12,711	26,283	61,288	2,701	-	102,983

(a) The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. The segment information provided above has been revised from that originally provided to the chief operating decision-makers to reflect the implementation of HKFRS 9 (2009), the amendment to HKAS 17 and the change in accounting policy for leasehold building (2009 and 2008) (see note 2(b)). Decisions made by the chief operating decision-makers on the basis of the original segment information would not have changed had the revised information been available at the time. The chief operating decision-makers have reviewed the revised segment results information.

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

(b) The elimination adjustment represents the inter-segment interest charge from the Corporate Centre to the Clearing Business segment for funding the closing-out of market contracts of the defaulting Participant, Lehman Brothers Securities Asia Limited.

4. Operating Segments (continued)

(c) Geographical information

The Group's income from external customers is derived solely from its operations in Hong Kong. Its non-current assets (excluding financial assets and deferred tax assets) by geographical location are detailed below:

	At 31 Dec 2009 $'000	As restated At 31 Dec 2008 $'000	As restated At 1 Jan 2008 $'000
Hong Kong	**305,359**	372,442	379,992
China	**569**	843	29
	305,928	373,285	380,021

(d) Information about major customers

In 2009 and 2008, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

5. Trading Fees and Trading Tariff

	2009 $'000	2008 $'000
Trading fees and trading tariff were derived from:		
Securities traded on the Cash Market	**1,834,097**	2,028,480
Derivatives contracts traded on the Derivatives Market	**752,200**	774,601
	2,586,297	2,803,081

6. Stock Exchange Listing Fees

Stock Exchange listing fees and costs of Listing Function comprised the following:

	2009				As restated 2008			
	Equity		CBBCs, Derivative warrants & others	Total	Equity		CBBCs, Derivative warrants & others	Total
	Main Board	GEM			Main Board	GEM		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Stock Exchange Listing Fees								
Annual listing fees	**335,952**	**23,550**	**2,410**	**361,912**	318,322	25,138	2,803	346,263
Initial and subsequent issue listing fees	**67,785**	**3,440**	**289,760**	**360,985**	86,566	3,580	270,798	360,944
Prospectus vetting fees	**3,570**	**540**	**80**	**4,190**	2,300	240	30	2,570
Other listing fees	**1,318**	**72**	**-**	**1,390**	1,724	482	-	2,206
Total	**408,625**	**27,602**	**292,250**	**728,477**	408,912	29,440	273,631	711,983
Costs of Listing Function								
Direct costs								
Staff costs and related expenses	**175,906**	**37,158**	**12,200**	**225,264**	167,122	35,075	12,449	214,646
Information technology and computer maintenance expenses	**5,121**	**944**	**317**	**6,382**	4,481	882	301	5,664
Premises expenses	**34,133**	**7,438**	**1,690**	**43,261**	18,613	3,780	862	23,255
Legal and professional fees	**3,271**	**441**	**-**	**3,712**	11,792	1,252	-	13,044
Depreciation	**4,220**	**1,274**	**1,647**	**7,141**	4,418	1,231	1,545	7,194
Other operating expenses	**6,079**	**1,819**	**406**	**8,304**	7,252	2,015	508	9,775
Total direct costs	**228,730**	**49,074**	**16,260**	**294,064**	213,678	44,235	15,665	273,578
Total indirect costs	**36,822**	**6,755**	**9,671**	**53,248**	34,680	6,104	8,544	49,328
Total costs	**265,552**	**55,829**	**25,931**	**347,312**	248,358	50,339	24,209	322,906
Contribution to Cash Market Segment Profit before Taxation	**143,073**	**(28,227)**	**266,319**	**381,165**	160,554	(20,899)	249,422	389,077

Listing fee income is primarily fees paid by issuers to enable them to gain access to the Stock Exchange and enjoy the privileges and facilities by being admitted, listed and traded on the Stock Exchange.

The direct costs listed above are regulatory in nature, which comprise costs of the Listing Function on vetting IPOs and enforcing the 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 and disseminating information relating to listed companies. Indirect costs comprise costs of support services and other central overheads attributable to the Listing Function.

7. Other Revenue

	2009 $'000	2008 $'000
Network, terminal user, dataline and software sub-license fees	**320,829**	289,783
Participants' subscription and application fees	**35,037**	34,614
Brokerage on direct IPO allotments	**16,467**	5,313
Trading booth user fees	**15,132**	9,603
Accommodation income on securities deposited by Participants as alternatives to cash deposits of Margin Funds	**4,908**	21,844
Sales of Trading Rights	**9,500**	8,335
Miscellaneous revenue	**15,529**	21,363
	417,402	390,855

8. Net Investment Income

	2009 $'000	2008 $'000
Interest income		
Available-for-sale financial assets		
- listed securities	**6,497**	11,573
- unlisted securities	**162,432**	551,568
	168,929	563,141
Loans and receivables		
- bank deposits	**80,879**	564,725
Financial assets measured at amortised cost		
- bank deposits	**29,953**	-
- listed securities	**658**	-
- unlisted securities	**11,070**	-
	41,681	-
Gross interest income	**291,489**	1,127,866
Interest rebates to Participants on financial liabilities not at fair value through profit or loss	**(3,346)**	(76,415)
Net interest income	**288,143**	1,051,451
Net realised and unrealised gains/(losses) and interest income on financial assets at fair value through profit or loss		
On designation		
- unlisted securities	**254**	-
- bank deposits with embedded derivatives	**55**	171
- exchange differences	**1,551**	-
	1,860	171
Held for trading		
- listed securities	**60,935**	(63,822)
- unlisted securities	**10,155**	41,149
- exchange differences	**89,298**	68,212
	160,388	45,539
	162,248	45,710
Net unrealised gains and interest income on financial assets mandatorily measured at fair value through profit or loss		
- listed securities	**128,543**	-
- unlisted securities	**130,084**	-
- bank deposits with embedded derivatives	**1,064**	-
- exchange differences	**47,530**	-
	307,221	-
Net realised and unrealised losses on financial liabilities at fair value through profit or loss, held for trading		
- listed securities	**(2,632)**	(11,369)
- exchange differences	**(137,201)**	(92,233)
	(139,833)	(103,602)
Realised gains on disposal of unlisted available-for-sale financial assets	**1,500**	1,523
Dividend income from listed financial assets:		
- at fair value through profit or loss	**1,399**	3,769
- measured at fair value through profit or loss	**1,012**	-
Other exchange differences	**(736)**	324
Net investment income	**620,954**	999,175

8. Net Investment Income (continued)

	2009 $'000	2008 $'000
Net investment income/(loss) was derived from:		
Corporate Funds	**303,571**	82,709
Cash collateral	**(139)**	347
Margin Funds	**306,598**	895,151
Clearing House Funds	**10,924**	20,968
	620,954	999,175

9. Gain on Disposal of Properties

The Group sold its last investment property and one of its leasehold properties in 2008, generating a gain of $68,641,000.

10. Staff Costs and Related Expenses

Staff costs and related expenses comprised the following:

	2009 $'000	2008 $'000
Salaries and other short-term employee benefits	**711,229**	713,827
Employee share-based compensation benefits (note 38)		
- employee share options	**1,134**	6,506
- Awarded Shares	**19,449**	21,673
	20,583	28,179
Termination benefits	**580**	429
Retirement benefit costs (note (a)):		
- ORSO Plan	**60,639**	60,142
- MPF Scheme	**472**	529
	793,503	803,106

(a) Retirement Benefit Costs

The Group has sponsored a defined contribution provident fund scheme ("ORSO Plan") which is registered under ORSO and a Mandatory Provident Fund scheme ("MPF Scheme"). The Group contributes 12.5 per cent of the employee's basic salary to the ORSO Plan if an employee contributes 5 per cent. If the employee chooses not to contribute, the Group will contribute 10 per cent of the employee's salary to the ORSO Plan. Contributions to the MPF Scheme are in accordance with the statutory limits prescribed by the MPF Ordinance (ie, 5 per cent of the employee's relevant income subject to a maximum of $1,000 per month).

10. Staff Costs and Related Expenses (continued)

(a) Retirement Benefit Costs (continued)

The retirement benefit costs charged to the consolidated income statement represent contributions paid and payable by the Group to the ORSO Plan and the MPF Scheme and related fees. The contribution payable to the MPF Scheme as at 31 December 2009 was $93,000 (31 December 2008 and 1 January 2008: $109,000 and $104,000 respectively) and no contribution to the ORSO Plan was outstanding as at 31 December 2009, 31 December 2008 and 1 January 2008.

For the ORSO Plan, contributions during the year are not offset by contributions forfeited in respect of employees who left the ORSO Plan before the contributions were fully vested. Instead, forfeited contributions are credited to a reserve account of the ORSO Plan for the benefit of its members.

	2009 $'000	2008 $'000
Contributions forfeited during the year and retained in the ORSO Plan	**971**	2,202

11. Information Technology and Computer Maintenance Expenses

	2009 $'000	2008 $'000
Costs of services and goods:		
- consumed by the Group	**140,651**	142,052
- directly consumed by Participants	**105,640**	96,865
	246,291	238,917

12. Other Operating Expenses

(a) (Reversal of provision for)/provision for impairment losses arising from Participants' default on market contracts

The amount for 2008 mainly included $154,968,000 of provision for impairment loss of trade receivables arising from the default on market contracts by Lehman Brothers Securities Asia Limited.

(b) Others

	2009 **$'000**	As restated 2008 $'000
(Reversal of provision for)/provision for impairment losses of other trade receivables (note 24(b))	**(1,218)**	1,757
Provision for impairment loss of leasehold improvements (note 19(a)(iii))	**754**	-
Insurance	**4,068**	4,394
Financial data subscription fees	**5,154**	4,499
Custodian and fund management fees	**11,012**	11,901
Bank charges	**12,656**	9,711
Repair and maintenance expenses	**10,116**	8,389
License fees	**14,576**	15,009
Communication expenses	**5,096**	5,486
Overseas travel expenses	**4,212**	6,474
Contribution to Financial Reporting Council	**2,500**	2,500
Charitable donations	**542**	10,633
Other miscellaneous expenses	**37,856**	33,428
	107,324	114,181

13. Profit before Taxation

	2009 $'000	As restated 2008 $'000
Profit before taxation is stated after (charging)/crediting:		
Auditor's remuneration		
- audit fees		
- charge for the year	**(2,983)**	(2,877)
- under provision in respect of prior years	**(387)**	-
- non-audit fees:		
- charge for the year	**(394)**	(458)
- reversal of provision in respect of prior years	**29**	-
Interest on bank loans and overdrafts repayable within five years	**(27)**	(268)
Operating lease rentals		
- land and buildings	**(173,640)**	(104,384)
- computer systems and equipment	**(5,833)**	(6,009)
Rental income from investment property	**-**	82
Direct operating expenses of the investment property that generates rental income	**-**	(22)
Depreciation	**(101,173)**	(109,646)
Reversal of provision for/(provision for) impairment losses of trade receivables under other operating expenses	**1,548**	(164,960)
Provision for impairment losses of leasehold improvements under other operating expenses	**(754)**	-
Provision for impairment losses of club debenture under other operating expenses	**-**	(5)
Gain on disposal of an investment property	**-**	5,932
Gain on disposal of a leasehold property	**-**	62,709
Gain on disposal of fixed assets	**476**	2,367
Exchange (losses)/gains on:		
- financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss and financial assets measured at fair value through profit or loss)	**(736)**	324
- Others	**(52)**	1

14. Directors' Emoluments

All Directors, including one Executive Director, received emoluments during the years ended 31 December 2009 and 31 December 2008. The aggregate emoluments paid and payable to the Directors during the two years were as follows:

	2009 $'000	2008 $'000
Executive Director:		
Salaries and other short-term employee benefits	**7,859**	7,858
Performance bonus	**7,800**	3,900
Retirement benefit costs	**975**	975
	16,634	12,733
Employee share-based compensation benefits (note (a))	**461**	1,090
	17,095	13,823
Non-executive Directors:		
Fees	**4,650**	4,587
	21,745	18,410

(a) Employee share-based compensation benefits represent fair value of share options issued under the Post-Listing Scheme and Awarded Shares issued under the Share Award Scheme amortised to profit or loss during the year disregarding whether the options and the Awarded Shares have been vested/exercised or not.

(b) The emoluments, including employee share-based compensation benefits for options issued under the Post-Listing Scheme and Awarded Shares issued under the Share Award Scheme, of the Directors were within the following bands:

	2009 Number of Directors	2008 Number of Directors
$1 – $500,000	**14**	12
$500,001 – $1,000,000	**1**	1
$13,500,001 – $14,000,000	**-**	1
$17,000,001 – $17,500,000	**1**	-
	16	14

14. Directors' Emoluments (continued)

(c) The emoluments of all Directors, including the Chief Executive who is an ex-officio member, for the years ended 31 December 2009 and 2008 are set out below:

	2009							
Name of Director	**Fees $'000**	**Salary $'000**	**Other benefits (note (i)) $'000**	**Performance bonus $'000**	**Retirement benefit costs (note(ii)) $'000**	**Sub-total $'000**	**Employee share-based compensation benefits $'000**	**Total $'000**
Ronald J Arculli	**550**	**-**	**-**	**-**	**-**	**550**	**-**	**550**
Paul M Y Chow (note (iii))	**-**	**7,800**	**59**	**7,800**	**975**	**16,634**	**461**	**17,095**
Laura M Cha	**363**	**-**	**-**	**-**	**-**	**363**	**-**	**363**
Ignatius T C Chan (note (iv))	**262**	**-**	**-**	**-**	**-**	**262**	**-**	**262**
Moses M C Cheng	**400**	**-**	**-**	**-**	**-**	**400**	**-**	**400**
Marvin K T Cheung	**350**	**-**	**-**	**-**	**-**	**350**	**-**	**350**
Henry H L Fan (note (v))	**75**	**-**	**-**	**-**	**-**	**75**	**-**	**75**
Fong Hup (note (v))	**100**	**-**	**-**	**-**	**-**	**100**	**-**	**100**
Stephen C C Hui (note (iv))	**262**	**-**	**-**	**-**	**-**	**262**	**-**	**262**
Bill C P Kwok	**350**	**-**	**-**	**-**	**-**	**350**	**-**	**350**
Vincent K H Lee	**450**	**-**	**-**	**-**	**-**	**450**	**-**	**450**
Michael T H Lee (note (iv))	**262**	**-**	**-**	**-**	**-**	**262**	**-**	**262**
Christine K W Loh (note (v))	**88**	**-**	**-**	**-**	**-**	**88**	**-**	**88**
John E Strickland	**350**	**-**	**-**	**-**	**-**	**350**	**-**	**350**
John M M Williamson (note (vi))	**438**	**-**	**-**	**-**	**-**	**438**	**-**	**438**
Oscar S H Wong	**350**	**-**	**-**	**-**	**-**	**350**	**-**	**350**
Total	**4,650**	**7,800**	**59**	**7,800**	**975**	**21,284**	**461**	**21,745**

	2008							
Name of Director	Fees $'000	Salary $'000	Other benefits (note (i)) $'000	Performance bonus $'000	Retirement benefit costs (note (ii)) $'000	Sub-total $'000	Employee share-based compensation benefits $'000	Total $'000
Ronald J Arculli	550	-	-	-	-	550	-	550
Paul M Y Chow (note (iii))	-	7,800	58	3,900	975	12,733	1,090	13,823
Laura M Cha	400	-	-	-	-	400	-	400
Moses M C Cheng	400	-	-	-	-	400	-	400
Marvin K T Cheung	350	-	-	-	-	350	-	350
Henry H L Fan (note (v))	300	-	-	-	-	300	-	300
Fong Hup (note (v))	400	-	-	-	-	400	-	400
Bill C P Kwok	350	-	-	-	-	350	-	350
Vincent K H Lee	450	-	-	-	-	450	-	450
Christine K W Loh (note (v))	350	-	-	-	-	350	-	350
John E Strickland	350	-	-	-	-	350	-	350
David M Webb (note (vii))	123	-	-	-	-	123	-	123
John M M Williamson (note (vi))	214	-	-	-	-	214	-	214
Oscar S H Wong	350	-	-	-	-	350	-	350
Total	4,587	7,800	58	3,900	975	17,320	1,090	18,410

Notes:

(i) Other benefits included insurance premium and club membership.

(ii) Employees who retire before normal retirement age are eligible for 18 per cent of the employer's contribution to the provident fund after completion of two years of service. The rate of vested benefit increases at an annual increment of 18 per cent thereafter reaching 100 per cent after completion of seven years of service.

(iii) Mr. Paul M Y Chow retired on 16 January 2010. Mr. Chow's total emoluments for 1 to 15 January 2010 was $4,891,000, including his salary for 1 to 15 January 2010, leave pay, insurance premium, club membership and retirement benefit cost.

(iv) Appointment effective 23 April 2009

(v) Retired on 23 April 2009

(vi) Appointment effective 18 June 2008

(vii) Resigned on 15 May 2008

15. Five Top-paid Employees

One (2008: one) of the five top-paid employees was a Director whose emoluments are disclosed in note 14. Details of the emoluments of the other four (2008: four) top-paid employees were as follows:

	2009 **$'000**	2008 $'000
Salaries and other short-term employee benefits	**17,216**	17,865
Performance bonus	**7,827**	8,123
Retirement benefit costs	**2,122**	2,192
	27,165	28,180
Employee share-based compensation benefits (note (a))	**3,445**	4,377
	30,610	32,557

(a) Employee share-based compensation benefits represent fair value of share options issued under the Post-Listing Scheme and Awarded Shares issued under the Share Award Scheme amortised to profit or loss during the year disregarding whether the options and the Awarded Shares have been vested/exercised or not.

(b) The emoluments of these four (2008: four) employees, including employee share-based compensation benefits for options issued under the Post-Listing Scheme and Awarded Shares issued under the Share Award Scheme, were within the following bands:

	2009 **Number of Employees**	2008 Number of employees
$6,000,001 – $6,500,000	**2**	1
$7,000,001 – $7,500,000	**-**	1
$8,000,001 – $8,500,000	**1**	-
$8,500,001 – $9,000,000	**-**	1
$10,000,001 – $10,500,000	**1**	1
	4	4

The employees, whose emoluments are disclosed above, included senior executives who were also Directors of the subsidiaries during the years. No Directors of the subsidiaries waived any emoluments.

16. Taxation

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

	2009 $'000	As restated 2008 $'000
Provision for Hong Kong Profits Tax for the year (note (i))	**836,487**	815,183
Over provision in respect of prior years	**(5,690)**	(152)
	830,797	815,031
Deferred taxation (note 35(a))	**7,250**	(15,525)
	838,047	799,506

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

(b) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of 16.5 per cent (2008: 16.5 per cent) as follows:

	2009 $'000	As restated 2008 $'000
Profit before taxation	**5,542,091**	5,928,137
Calculated at a taxation rate of 16.5 per cent (2008: 16.5 per cent)	**914,445**	978,143
Income not subject to taxation	**(88,719)**	(182,106)
Expenses not deductible for taxation purposes	**3,426**	8,581
Change in opening net deferred tax liabilities resulting from a decrease in tax rate	**-**	(1,299)
Change in deferred tax arising from unrecognised tax losses and other deferred tax adjustments	**14,585**	(3,661)
Over provision of Hong Kong Profits Tax in respect of prior years	**(5,690)**	(152)
Taxation charge	**838,047**	799,506

17. Dividends

	2009 $'000	2008 $'000
Interim dividend paid:		
$1.84 (2008: $2.49) per share	**1,979,977**	2,676,436
Less: Dividend for shares held by Share Award Scheme	**(1,867)**	(3,061)
	1,978,110	2,673,375
Final dividend proposed (notes (a) and (b)):		
$2.09 (2008: $1.80) per share based on issued share capital as at the year end	**2,249,238**	1,934,795
Less: Dividend for shares held by Share Award Scheme as at the year end	**(1,412)**	(1,704)
	2,247,826	1,933,091
	4,225,936	4,606,466

(a) Actual 2008 final dividend paid was $1,934,708,000 (after eliminating $1,802,000 paid for shares held by the Share Award Scheme, of which $98,000 relates to shares acquired by the Share Award Scheme less shares vested to employees after 31 December 2008), of which $1,715,000 was paid for shares issued for employee share options exercised after 31 December 2008.

(b) The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

18. Earnings Per Share

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

(a) Basic earnings per share

	2009	As restated 2008
Profit attributable to shareholders ($'000)	**4,704,044**	5,128,631
Weighted average number of shares in issue less shares held for Share Award Scheme	**1,074,704,459**	1,072,223,011
Basic earnings per share	**$4.38**	$4.78

(b) Diluted earnings per share

	2009	As restated 2008
Profit attributable to shareholders ($'000)	**4,704,044**	5,128,631
Weighted average number of shares in issue less shares held for Share Award Scheme	**1,074,704,459**	1,072,223,011
Effect of employee share options	**3,245,832**	5,325,004
Effect of Awarded Shares	**902,650**	1,146,735
Weighted average number of shares for the purpose of calculating diluted earnings per share	**1,078,852,941**	1,078,694,750
Diluted earnings per share	**$4.36**	$4.75

19. Fixed Assets

(a) Group

	Leasehold land in Hong Kong held under long term lease $'000	Leasehold building $'000	Computer trading and clearing systems $'000	Other computer hardware and software $'000	Leasehold improvements, furniture, equipment and motor vehicles $'000	Total $'000
Net book value at 1 Jan 2008						
- as previously reported	-	7,800	238,648	29,965	40,652	317,065
- effect of changes in accounting policies (note 2(b))	61,217	(1,473)	-	-	-	59,744
- as restated (note (i))	61,217	6,327	238,648	29,965	40,652	376,809
Additions	-	-	48,371	8,810	45,802	102,983
Disposals (note (ii))	-	-	(52)	-	(16)	(68)
Depreciation	(509)	(636)	(75,368)	(13,763)	(19,370)	(109,646)
Net book value at 31 Dec 2008, as restated	60,708	5,691	211,599	25,012	67,068	370,078
At 31 Dec 2008 (as restated)						
At cost	69,659	15,900	1,388,172	363,636	310,295	2,147,662
Accumulated depreciation	(8,951)	(10,209)	(1,176,573)	(338,624)	(243,227)	(1,777,584)
Net book value	60,708	5,691	211,599	25,012	67,068	370,078
Net book value at 1 Jan 2009						
- as previously reported	**-**	**7,500**	**211,599**	**25,012**	**67,068**	**311,179**
- effect of changes in accounting policies (note 2(b))	**60,708**	**(1,809)**	**-**	**-**	**-**	**58,899**
- as restated	**60,708**	**5,691**	**211,599**	**25,012**	**67,068**	**370,078**
Additions	**-**	**-**	**6,066**	**9,532**	**19,097**	**34,695**
Disposals (note (ii))	**-**	**-**	**(95)**	**(20)**	**(10)**	**(125)**
Impairment losses recognised (note (iii))	**-**	**-**	**-**	**-**	**(754)**	**(754)**
Depreciation	**(510)**	**(636)**	**(60,130)**	**(13,391)**	**(26,506)**	**(101,173)**
Net book value at 31 Dec 2009	**60,198**	**5,055**	**157,440**	**21,133**	**58,895**	**302,721**
At 31 Dec 2009						
At cost	**69,659**	**15,900**	**1,260,866**	**218,842**	**285,274**	**1,850,541**
Accumulated depreciation	**(9,461)**	**(10,845)**	**(1,103,426)**	**(197,709)**	**(226,379)**	**(1,547,820)**
Net book value	**60,198**	**5,055**	**157,440**	**21,133**	**58,895**	**302,721**

(i) The analysis of net book value as at 1 January 2008 (as restated) is as follows:

At cost	69,659	15,900	1,389,856	366,805	274,095	2,116,315
Accumulated depreciation	(8,442)	(9,573)	(1,151,208)	(336,840)	(233,443)	(1,739,506)
Net book value	61,217	6,327	238,648	29,965	40,652	376,809

(ii) The total cost of fixed assets disposed of or written off and their total net book value during 2009 were $331,816,000 and $125,000 respectively (2008: $71,636,000 and $68,000 respectively).

(iii) During the year ended 31 December 2009, an impairment loss of $754,000 (2008: $Nil) was charged to the consolidated income statement under other operating expenses (note 12(b)) in relation to the reinstatement cost of office premises the lease of which expired in July 2009.

19. Fixed Assets (continued)

(b) HKEx

	Other computer hardware and software $'000	**Leasehold improvements, furniture, equipment and motor vehicles** $'000	**Total** $'000
Net book value at 1 Jan 2008 (note (i))	10,756	8,450	19,206
Additions	2,194	11,723	13,917
Disposals (note (ii))	-	(12)	(12)
Depreciation	(5,419)	(4,455)	(9,874)
Net book value at 31 Dec 2008	7,531	15,706	23,237
At 31 Dec 2008			
At cost	65,943	34,969	100,912
Accumulated depreciation	(58,412)	(19,263)	(77,675)
Net book value	7,531	15,706	23,237
Net book value at 1 Jan 2009	**7,531**	**15,706**	**23,237**
Additions	**8,662**	**7,953**	**16,615**
Disposals (note (ii))	**(29)**	**-**	**(29)**
Depreciation	**(4,432)**	**(6,932)**	**(11,364)**
Net book value at 31 Dec 2009	**11,732**	**16,727**	**28,459**
At 31 Dec 2009			
At cost	**60,421**	**40,784**	**101,205**
Accumulated depreciation	**(48,689)**	**(24,057)**	**(72,746)**
Net book value	**11,732**	**16,727**	**28,459**

(i) The analysis of net book value as at 1 January 2008 is as follows:

At cost	64,111	26,679	90,790
Accumulated depreciation	(53,355)	(18,229)	(71,584)
Net book value	10,756	8,450	19,206

(ii) The total cost of fixed assets disposed of or written off and their total net book value during 2009 were $16,322,000 and $29,000 respectively (2008: $3,795,000 and $12,000 respectively).

20. Financial Assets Measured at Fair Value through Profit or Loss

	Group		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Financial assets of Clearing House Funds (note 29)	**409,585**	-	-
Financial assets of Margin Funds on derivatives contracts (note 30)	**8,672,979**	-	-
Financial assets of Corporate Funds (note 27)	**4,942,314**	-	-
	14,024,878	-	-
Less: Non-current portion of Corporate Funds	**(1,559,405)**	-	-
Current portion (note (a))	**12,465,473**	-	-

(a) Included financial assets maturing after twelve months of $409,585,000 (31 December 2008 and 1 January 2008: $Nil) and $5,974,627,000 (31 December 2008 and 1 January 2008: $Nil) attributable to Clearing House Funds and Margin Funds respectively that could readily be liquidated to meet liquidity requirements of the respective Funds (note 50(b)).

21. Available-for-sale Financial Assets

	Group			HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Financial assets of Clearing House Funds (note 29)	-	371,494	361,506	-	-	-
Financial assets of Margin Funds on derivatives contracts (note 30)	-	16,440,918	16,735,006	-	-	-
Financial assets of Corporate Funds (note 27)	-	2,581,683	3,067,007	-	8,220	-
	-	19,394,095	20,163,519	-	8,220	-
Less: Non-current portion maturing after twelve months	-	-	(481,666)	-	-	-
Current portion	-	19,394,095	19,681,853	-	8,220	-

(a) Following the adoption of HKFRS 9 on 31 December 2009, all extant available-for-sale financial assets were classified as either financial assets measured at fair value through profit or loss (note 20) or financial assets measured at amortised cost (note 23).

22. Financial Assets at Amortised Cost

	Group			HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Financial assets of Clearing House Funds (note 29)	-	21,708	-	-	-	-
Financial assets of Margin Funds on derivatives contracts (note 30)	-	3,205,408	2,508,559	-	-	-
Financial assets of Corporate Funds (note 27)	-	484,068	701,351	-	142,887	47,361
	-	3,711,184	3,209,910	-	142,887	47,361
Less: Non-current portion maturing after twelve months	-	(47,172)	(19,177)	-	(720)	(481)
Current portion	-	3,664,012	3,190,733	-	142,167	46,880

(a) Following the adoption of HKFRS 9 on 31 December 2009, all extant financial assets at amortised cost were classified as financial assets measured at amortised cost (note 23).

23. Financial Assets Measured at Amortised Cost

	Group			HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Financial assets of Clearing House Funds (note 29)	**51,280**	-	-	-	-	-
Financial assets of Margin Funds on derivatives contracts (note 30)	**2,853,991**	-	-	-	-	-
Financial assets of Corporate Funds (note 27)	**2,019,909**	-	-	**102,764**	-	-
	4,925,180	-	-	**102,764**	-	-
Less: Non-current portion of Corporate Funds	**(767,933)**	-	-	**(10,036)**	-	-
Current portion (note (a))	**4,157,247**	-	-	**92,728**	-	-

(a) Included time deposits maturing after twelve months of $2,327,000 (31 December 2008 and 1 January 2008: $Nil) and $953,988,000 (31 December 2008 and 1 January 2008: $Nil) attributable to the Clearing House Funds and Margin Funds respectively that could readily be liquidated to meet liquidity requirements of the respective Funds (note 50(b)).

24. Accounts Receivable, Prepayments and Deposits

	Group			HKEx		
	At 31 Dec 2009 $'000	As restated At 31 Dec 2008 $'000	As restated At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Receivable from Exchange and Clearing Participants:						
- CNS money obligations	**10,476,438**	7,904,042	17,301,606	-	-	-
- transaction levy, stamp duty and fees receivable	**517,133**	341,317	704,481	-	-	-
- Margin receivable (note 30)	**9,300**	8,835	3,068	-	-	-
- others	**179,475**	169,215	92,243	-	-	-
Other fees receivable	**289,531**	243,511	239,947	-	-	-
Prepayments	**14,680**	16,934	17,512	**14,574**	16,706	17,023
Other receivables and deposits	**11,860**	18,987	13,096	**1**	728	113
Less : Provision for impairment losses of trade receivables (note (b))	**(164,047)**	(167,449)	(4,608)	-	-	-
	11,334,370	8,535,392	18,367,345	**14,575**	17,434	17,136

24. Accounts Receivable, Prepayments and Deposits (continued)

(a) The carrying amounts of accounts receivable and deposits approximated their fair values.

(b) The movements in provision for impairment losses of trade receivables were as follows:

	Group	
	2009 $'000	2008 $'000
At 1 Jan	**167,449**	4,608
(Reversal of provision for)/provision for impairment losses arising from Participants' default on market contracts	**(330)**	163,203
(Reversal of provision for)/provision for impairment losses of other trade receivables (note 12(b))	**(1,218)**	1,757
Settlement from Clearing House Funds	**(1,672)**	-
Trade receivables written off during the year as uncollectible	**(182)**	(2,119)
At 31 Dec	**164,047**	167,449

(c) CNS money obligations receivable accounted for 92 per cent (31 December 2008 and 1 January 2008: 93 per cent and 94 per cent respectively) of the total accounts receivable, prepayments and deposits. CNS money obligations receivable mature within two days after the trade date. The majority of the remaining accounts receivable, prepayments and deposits were due within three months.

25. Financial Assets at Fair Value through Profit or Loss

	Group		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Financial assets of Corporate Funds (note 27)	-	3,020,035	2,996,555

(a) Following the adoption of HKFRS 9 on 31 December 2009, all extant financial assets at fair value through profit or loss were classified as financial assets measured at fair value through profit or loss (note 20).

26. Cash and Cash Equivalents

	Group			HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Cash and cash equivalents:						
- Clearing House Funds (note 29)	**1,280,726**	843,109	1,841,508	-	-	-
- Margin Funds on derivatives contracts (note 30)	**8,706,668**	22,184,833	36,182,526	-	-	-
(note a)	**9,987,394**	23,027,942	38,024,034	-	-	-
- Cash collateral received (note 31)	**3,431,725**	3,599,902	2,719,588	-	-	-
- Corporate Funds	**1,318,964**	1,155,848	2,025,123	**27,486**	31,680	20,184
	4,750,689	4,755,750	4,744,711	**27,486**	31,680	20,184
	14,738,083	27,783,692	42,768,745	**27,486**	31,680	20,184

(a) The cash and cash equivalents of Clearing House Funds and Margin Funds are held for the stated specific purposes only and cannot be used to finance any other activities of the Group (notes 2(m) and 2(n)).

27. Financial Assets of Corporate Funds

Financial assets of Corporate Funds comprised the following:

	Group			HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Financial assets at fair value through profit or loss (note 25 and note (a))	-	3,020,035	2,996,555	-	-	-
Financial assets measured at fair value through profit or loss (note 20 and note (b))	**4,942,314**	-	-	-	-	-
Available-for-sale financial assets (note 21 and note (c))	-	2,581,683	3,067,007	-	8,220	-
Financial assets at amortised cost (note 22 and note (d))	-	484,068	701,351	-	142,887	47,361
Financial assets measured at amortised cost (note 23 and note (e))	**2,019,909**	-	-	**102,764**	-	-
	6,962,223	6,085,786	6,764,913	**102,764**	151,107	47,361

(a) Financial assets at fair value through profit or loss

	Group		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Held for trading			
Equity securities:			
- listed in Hong Kong	-	12,701	49,559
- listed outside Hong Kong	-	94,680	177,591
	-	107,381	227,150
Debt securities:			
- listed in Hong Kong	-	79,074	47,569
- listed outside Hong Kong	-	1,386,067	1,363,356
- unlisted	-	1,371,057	1,258,030
	-	2,836,198	2,668,955
Mutual funds:			
- listed outside Hong Kong	-	57,707	96,778
Derivative financial instruments:			
- equity index futures contracts, listed outside Hong Kong (note (i))	-	-	159
- forward foreign exchange contracts (note 50(b))	-	18,749	3,513
	-	18,749	3,672
	-	3,020,035	2,996,555

(i) The total notional value of the equity index futures contracts outstanding was $Nil (31 December 2008 and 1 January 2008: $Nil and $6,964,000 respectively).

27. Financial Assets of Corporate Funds (continued)

(b) Financial assets measured at fair value through profit or loss

	Group		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Mandatorily measured at fair value			
Equity securities:			
- listed in Hong Kong	**23,241**	-	-
- listed outside Hong Kong	**156,493**	-	-
	179,734	-	-
Debt securities:			
- listed in Hong Kong	**68,141**	-	-
- listed outside Hong Kong	**1,865,827**	-	-
- unlisted	**2,455,682**	-	-
	4,389,650	-	-
Mutual funds:			
- listed outside Hong Kong	**75,188**	-	-
Derivative financial instruments:			
- equity index futures contracts, listed outside Hong Kong (note (i))	**741**	-	-
- forward foreign exchange contracts (note 50(b))	**17,130**	-	-
	17,871	-	-
Bank deposits with embedded derivatives	**279,871**	-	-
	4,942,314	-	-

(i) The total notional value of the equity index futures contracts outstanding was $35,110,000 (31 December 2008 and 1 January 2008: $Nil).

(c) Available-for-sale financial assets

	Group			HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Debt securities, at fair value:						
- listed outside Hong Kong	-	160,601	-	-	-	-
- unlisted	-	2,421,082	3,067,007	-	8,220	-
	-	2,581,683	3,067,007	-	8,220	-

27. Financial Assets of Corporate Funds (continued)

(d) Financial assets at amortised cost

	Group			HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Time deposits with original maturities over three months	-	436,896	682,174	-	142,167	46,880
Other financial assets	-	47,172	19,177	-	720	481
	-	484,068	701,351	-	142,887	47,361

(e) Financial assets measured at amortised cost

	Group			HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Debt securities:						
- listed outside Hong Kong	**200,428**	-	-	-	-	-
- unlisted	**1,095,484**	-	-	**71,930**	-	-
	1,295,912	-	-	**71,930**	-	-
Time deposits with original maturities over three months	**674,185**	-	-	**28,819**	-	-
Other financial assets	**49,812**	-	-	**2,015**	-	-
	2,019,909	-	-	**102,764**	-	-

28. Non-current Assets Held for Sale

	Group		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Leasehold building	-	-	7,524
Investment property	-	-	24,200
Lease premium for land of leasehold property	-	-	32,368
	-	-	64,092
Reserves associated with assets held for sale recognised in other comprehensive income (leasehold land and buildings revaluation reserve (note 39))	-	-	3,155

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

In January 2008, the Group entered into agreements with two third parties to sell the leasehold property and the investment property for a consideration of $103,380,000 and $30,400,000 respectively. The sale transactions were completed on 18 February 2008. The accounting profit on the disposal of properties, after deducting related selling expenses of $1,047,000, amounted to $68,641,000 and was recognised in the consolidated income statement in 2008 (note 9).

29. Clearing House Funds

	Group		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
The Clearing House Funds comprised the following Funds (notes (a) and (b)):			
HKSCC Guarantee Fund	**219,184**	215,573	362,015
SEOCH Reserve Fund	**583,137**	208,291	1,263,056
HKCC Reserve Fund	**759,806**	578,853	567,133
	1,562,127	1,002,717	2,192,204
The Clearing House Funds were composed of:			
Financial assets mandatorily measured at fair value through profit or loss (note 20):			
Debt securities:			
- listed outside Hong Kong	**129,385**	-	-
- unlisted	**280,200**	-	-
	409,585	-	-
Available-for-sale financial assets, at fair value (note 21):			
Unlisted debt securities	-	371,494	361,506
Financial assets at amortised cost (note 22):			
Time deposits with original maturities over three months	-	21,708	-
Financial assets measured at amortised cost (note 23):			
Time deposits with original maturities over three months	**51,280**	-	-
Financial assets of Clearing House Funds	**460,865**	393,202	361,506
Cash and cash equivalents (note 26)	**1,280,726**	843,109	1,841,508
	1,741,591	1,236,311	2,203,014
Less: Other financial liabilities of Clearing House Funds (note 33)	**(20,191)**	(72,319)	(10,810)
	1,721,400	1,163,992	2,192,204
Provision for loss arising from closing-out losses of defaulting Participants	**(159,273)**	(161,275)	-
	1,562,127	1,002,717	2,192,204
The Clearing House Funds were funded by:			
Clearing Participants' cash contributions due within twelve months	**722,726**	197,520	1,252,355
Clearing Participants' cash contributions due after twelve months	**276,000**	252,000	244,500
Designated reserves (note 40):			
At 1 Jan	**552,383**	694,853	627,816
Transfer from/(to) retained earnings (note (c))	**11,018**	(142,470)	67,037
At 31 Dec	**563,401**	552,383	694,853
Revaluation reserve (note 39(b))	-	814	496
	1,562,127	1,002,717	2,192,204

29. Clearing House Funds (continued)

(a) The Clearing House Funds were established to support the respective clearing houses (ie, HKSCC, HKCC and SEOCH) to fulfil their counterparty obligations in the event that one or more of their Clearing Participants fail to meet their obligations to the clearing houses. The HKSCC Guarantee Fund also provides resources to enable HKSCC to discharge the liabilities and obligations of defaulting Clearing Participants arising from depositing defective securities into CCASS.

(b) Amounts excluded bank guarantees received and utilised as alternatives to cash contributions.

(c) The amount comprised net investment income net of expenses of $10,688,000 (2008 and 2007: $20,733,000 and $67,037,000 respectively) and reversal of provision for closing-out losses of $330,000 (2008 and 2007: provision for closing-out losses of $163,203,000 and $Nil respectively).

30. Margin Funds on Derivatives Contracts

	Group		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
The Margin Funds comprised (note (a)):			
SEOCH Clearing Participants' Margin Funds	**2,566,818**	3,735,254	9,741,149
HKCC Clearing Participants' Margin Funds	**17,676,120**	38,104,737	45,687,739
	20,242,938	41,839,991	55,428,888
The net assets of the Margin Funds comprised:			
Financial assets mandatorily measured at fair value through profit or loss (note 20):			
Debt securities:			
- listed outside Hong Kong	**290,290**		
- unlisted	**6,556,496**	-	-
Bank deposits with embedded derivatives	**1,826,193**	-	-
	8,672,979	-	-
Available-for-sale financial assets, at fair value (note 21):			
Debt securities:			
- listed outside Hong Kong	-	324,301	243,047
- unlisted	-	16,116,617	16,491,959
	-	16,440,918	16,735,006
Financial assets at amortised cost (note 22):			
Time deposits with original maturities over three months	-	3,205,408	2,508,559
Financial assets measured at amortised cost (note 23):			
Time deposits with original maturities over three months	**2,853,991**	-	-
Margin receivable from Clearing Participants (note 24)	**9,300**	8,835	3,068
Financial assets of Margin Funds	**11,536,270**	19,655,161	19,246,633
Cash and cash equivalents (note 26)	**8,706,668**	22,184,833	36,182,526
	20,242,938	41,839,994	55,429,159
Less: Other financial liabilities of Margin Funds (note 33)	-	(3)	(271)
	20,242,938	41,839,991	55,428,888
The Group's liabilities in respect of the Margin Funds were as follows:			
Margin deposits from SEOCH and HKCC Participants on derivatives contracts	**20,242,938**	41,839,991	55,428,888

(a) Amounts excluded non-cash collateral received and utilised as alternative to cash margin.

31. Cash Collateral from HKSCC Clearing Participants

HKSCC Clearing Participants are required to deposit cash collateral with HKSCC to cover the risk of potential losses arising from their unsettled securities transactions. The cash collateral received are held in savings accounts and form part of the cash and cash equivalents of the Group (note 26).

32. Accounts Payable, Accruals and Other Liabilities

	Group			HKEx		
		As restated	As restated			
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Payable to Exchange and Clearing Participants:						
- CNS money obligations	**10,476,569**	7,904,083	17,300,191	-	-	-
- Participants' admission fees received	**81,000**	83,150	85,600	-	-	-
- others	**438,280**	184,401	169,976	-	-	-
Transaction levy payable to the SFC	**125,381**	84,256	166,988	-	-	-
Unclaimed dividends (note (b))	**306,697**	264,730	229,088	**112,511**	93,028	57,906
Stamp duty payable	**205,121**	155,977	414,202	-	-	-
Deposits received	**37,881**	36,898	28,911	-	-	-
Other payables and accruals	**156,082**	180,607	346,965	**67,823**	82,183	109,138
	11,827,011	8,894,102	18,741,921	**180,334**	175,211	167,044

(a) The carrying amounts of accounts payable and other liabilities approximated their fair values.

(b) Unclaimed dividends for the Group represent dividends declared by listed companies which were held by HKSCC Nominees Limited but not yet claimed by shareholders of the companies concerned, and dividends declared by HKEx but not yet claimed by its shareholders. During the year, dividends declared by HKEx which were unclaimed over a period of six years from the date of payment amounting to $3,914,000 (2008: $2,566,000) were forfeited and transferred to retained earnings in accordance with HKEx's Articles of Association (note 42).

(c) CNS money obligations payable accounted for 89 per cent (31 December 2008 and 1 January 2008: 89 per cent (as restated) and 92 per cent (as restated) respectively) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

33. Other Financial Liabilities

	Group			HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Financial liabilities of Clearing House Funds (note 29)	**20,191**	72,319	10,810	-	-	-
Financial liabilities of Margin Funds on derivatives contracts (note 30)	-	3	271	-	-	-
Financial liabilities of Corporate Funds:						
Financial liabilities at fair value through profit or loss (note (a))	**2,074**	26,254	6,149	-	-	-
Financial guarantee contracts (note (b))	**19,909**	19,909	19,909	**11,390**	11,390	11,390
	21,983	46,163	26,058	**11,390**	11,390	11,390
	42,174	118,485	37,139	**11,390**	11,390	11,390

(a) Financial liabilities at fair value through profit or loss

	Group		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
<u>Held for trading</u>			
Derivative financial instruments:			
- equity index futures contracts, listed outside Hong Kong (note (i))	**42**	627	-
- forward foreign exchange contracts (note 50(b))	**2,032**	25,627	6,149
	2,074	26,254	6,149

(i) The total notional value of the equity index futures contracts outstanding was $6,028,000 (31 December 2008 and 1 January 2008: $26,963,000 and $Nil respectively).

(b) Financial guarantee contracts

(i) Group

The amount represented the carrying value of a financial guarantee provided by the Stock Exchange to the Collector of Stamp Revenue, details of which are disclosed in note 45(a)(ii).

(ii) HKEx

The amount represented the carrying value of an undertaking provided by HKEx in favour of HKSCC amounting to $50 million, details of which are disclosed in note 45(b)(i). The financial guarantee was eliminated on consolidation.

34. Provisions

(a) Group

	Reinstatement costs $'000	Employee benefit costs $'000	Total $'000
At 1 Jan 2009	**26,669**	**35,104**	**61,773**
Provision for the year	**1,113**	**40,595**	**41,708**
Amount used during the year	**-**	**(41,078)**	**(41,078)**
Amount paid during the year	**(1,940)**	**(1,224)**	**(3,164)**
At 31 Dec 2009	**25,842**	**33,397**	**59,239**

	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Analysis of provisions:			
Current	**33,397**	36,290	29,630
Non-current	**25,842**	25,483	24,128
	59,239	61,773	53,758

(b) HKEx

	Reinstatement costs $'000	Employee benefit costs $'000	Total $'000
At 1 Jan 2009	**634**	**35,104**	**35,738**
Provision for the year	**-**	**40,595**	**40,595**
Amount used during the year	**-**	**(41,078)**	**(41,078)**
Amount paid during the year	**-**	**(1,224)**	**(1,224)**
At 31 Dec 2009	**634**	**33,397**	**34,031**

	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Analysis of provisions:			
Current	**33,397**	35,104	29,630
Non-current	**634**	634	575
	34,031	35,738	30,205

(i) The provision for reinstatement costs represents the estimated costs used to restore the leased office premises to their original state upon the expiry of the leases. The leases are expected to expire within five years.

(ii) The provision for employee benefit costs represents unused annual leave that has been accumulated at the end of the reporting period. It is expected to be fully utilised in the coming twelve months.

35. Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5 per cent (2008: 16.5 per cent).

(a) The movements on the deferred tax liabilities/(assets) account were as follows:

	Group		HKEx	
	2009 **$'000**	As restated 2008 $'000	**2009** **$'000**	2008 $'000
At 1 Jan, as previously reported	**26,346**	33,263	**(4,393)**	(3,610)
Effect of changes in accounting policies (note 2(b))	**(101)**	(58)	**-**	-
At 1 Jan, as restated	**26,245**	33,205	**(4,393)**	(3,610)
Charged/(credited) to income statement (note 16(a))	**7,250**	(15,525)	**852**	(805)
(Credited)/charged to other comprehensive income (note (b))	**(19,104)**	8,565	**(22)**	22
At 31 Dec (note (e))	**14,391**	26,245	**(3,563)**	(4,393)

(b) The deferred taxation relating to each component of other comprehensive income charged/(credited) to other comprehensive income during the year was as follows:

	Group		HKEx	
	2009 **$'000**	As restated 2008 $'000	**2009** **$'000**	2008 $'000
Available-for-sale financial assets (note 39)	**(19,104)**	8,565	**(22)**	22

(c) Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group had unrecognised tax losses of $315,394,000 as at 31 December 2009 (31 December 2008 and 1 January 2008: $224,612,000 and $239,773,000 respectively) that may be carried forward for offsetting against future taxable income indefinitely.

35. Deferred Taxation (continued)

(d) The movements on the deferred tax liabilities/(assets) account were as follows:

	Group											
	Accelerated tax depreciation		**Revaluation of properties**		**Tax losses**		**Revaluation of available-for-sale financial assets**		**Employee benefits**		**Total**	
		As restated		As restated								As restated
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
At 1 Jan, as previously reported	**32,409**	39,843	**264**	257	**(19,639)**	(12,191)	**19,104**	10,539	**(5,792)**	(5,185)	**26,346**	33,263
Effect of changes in accounting policies (note 2(b))	**163**	199	**(264)**	(257)	**-**	-	**-**	-	**-**	-	**(101)**	(58)
At 1 Jan, as restated	**32,572**	40,042	**-**	-	**(19,639)**	(12,191)	**19,104**	10,539	**(5,792)**	(5,185)	**26,245**	33,205
(Credited)/ charged to income statement	**(9,910)**	(7,470)	**-**	-	**16,879**	(7,448)	**-**	-	**281**	(607)	**7,250**	(15,525)
Charged/ (credited) to other comprehensive income	**-**	-	**-**	-	**-**	-	**(19,104)**	8,565	**-**	-	**(19,104)**	8,565
At 31 Dec	**22,662**	32,572	**-**	-	**(2,760)**	(19,639)	**-**	19,104	**(5,511)**	(5,792)	**14,391**	26,245

	HKEx							
	Accelerated tax depreciation		**Revaluation of available-for-sale financial assets**		**Employee benefits**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
At 1 Jan	**1,377**	1,575	**22**	-	**(5,792)**	(5,185)	**(4,393)**	(3,610)
Charged/(credited) to income statement	**571**	(198)	**-**	-	**281**	(607)	**852**	(805)
(Credited)/charged to other comprehensive income	**-**	-	**(22)**	22	**-**	-	**(22)**	22
At 31 Dec	**1,948**	1,377	**-**	22	**(5,511)**	(5,792)	**(3,563)**	(4,393)

35. Deferred Taxation (continued)

(e) Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to tax levied by the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group			HKEx		
	At 31 Dec 2009 $'000	As restated At 31 Dec 2008 $'000	As restated At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Net deferred tax assets recognised on the statement of financial position	**(3,563)**	(4,429)	(3,610)	**(3,563)**	(4,393)	(3,610)
Net deferred tax liabilities recognised on the statement of financial position	**17,954**	30,674	36,815	-	-	-
	14,391	26,245	33,205	**(3,563)**	(4,393)	(3,610)

36. Investments in and Amounts Due from/(to) Subsidiaries and Controlled Special Purpose Entity

(a) Investments in subsidiaries

	HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Investments in unlisted shares, at cost	**4,145,198**	4,145,198	4,145,198
Financial guarantee granted to a subsidiary (note 33(b)(ii))	**11,390**	11,390	11,390
	4,156,588	4,156,588	4,156,588

(b) Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are repayable on demand. The amounts due from/(to) subsidiaries are interest-free with the exception of funding provided directly or indirectly to the subsidiaries in connection with the closing-out of market contracts for defaulting Participants, in which case interest is charged for the loss of income for early uplifting fixed deposits. During 2009, the amount charged for such funding was $Nil (2008: $578,000).

36. Investments in and Amounts Due from/(to) Subsidiaries and Controlled Special Purpose Entity (continued)

(c) Particulars of subsidiaries

HKEx had direct or indirect interests in the following subsidiaries as at 31 December 2009, all of which are wholly-owned private companies incorporated and operating in Hong Kong. Details of these companies were as follows:

Company	Issued and fully paid up share capital	Principal activities	Interest held
Direct subsidiaries:			
The Stock Exchange of Hong Kong Limited	"A" shares $929	Operates the single, unified stock exchange in Hong Kong for the purposes of the Securities and Futures Ordinance	100%
Hong Kong Futures Exchange Limited	Ordinary $19,600,000 Standard $850,000	Operates a futures and options exchange	100%
Hong Kong Securities Clearing Company Limited	Ordinary $2	Operates a clearing house for securities traded on the unified stock exchange in Hong Kong and the central securities depository and provides custody and nominee services for eligible securities listed in Hong Kong	100%
HKEx Property Limited (formerly HKEC Nominees Limited)	Ordinary $2	Investment holding	100%
HKEx (China) Limited	$2	Promotes HKEx products and services	100%
Indirect subsidiaries:			
The SEHK Options Clearing House Limited	Ordinary $1,000,000	Operates a clearing house for options contracts traded on the Stock Exchange	100%
HKEx Information Services Limited	$100	Sale of stock market information	100%
Prime View Company Limited	$20	Dormant (dissolved on deregistration on 12 February 2010)	100%
The Stock Exchange Club Limited	$8	Property holding	100%
The Stock Exchange Nominee Limited	$2	Nominee services	100%
HKFE Clearing Corporation Limited	Ordinary $1,000,000	Operates a clearing house for derivatives contracts traded on the Futures Exchange	100%

36. Investments in and Amounts Due from/(to) Subsidiaries and Controlled Special Purpose Entity (continued)

(c) Particulars of subsidiaries (continued)

Company	Issued and fully paid up share capital	Principal activities	Interest held
Indirect subsidiaries (continued):			
HKSCC Nominees Limited	$20	Acting as common nominee in respect of securities held in the CCASS depository	100%
HK Conversion Agency Services Limited	$2	Conversion agency services	100%

(d) Controlled special purpose entity

There was one special purpose entity controlled by HKEx which operates in Hong Kong, particulars of which are as follows:

Special purpose entity	Principal activities
The HKEx Employees' Share Award Scheme ("HKEx Employee Share Trust")	Administering and holding HKEx shares for the Share Award Scheme for the benefit of eligible HKEx employees (note 38(c))

As HKEx has the power to govern the financial and operating policies of the HKEx Employee Share Trust and can 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.

As at 31 December 2009, HKEx had contributed $44,078,000 (31 December 2008 and 1 January 2008: $56,946,000 and $43,635,000 respectively) to the HKEx Employee Share Trust for shares not yet vested and the amount was recorded as "Contributions to HKEx Employee Share Trust" in HKEx's statement of financial position.

37. Share Capital, Share Premium and Shares Held for Share Award Scheme

	HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Authorised:			
2,000,000,000 shares of $1 each	**2,000,000**	2,000,000	2,000,000

Issued and fully paid:

	Group				
	Number of shares of $1 each	**Share capital** $'000	**Share premium** $'000	**Shares held for Share Award Scheme** $'000	**Total** $'000
At 1 Jan 2008	1,069,228,714	1,070,285	266,170	(47,803)	1,288,652
Shares issued under employee share option schemes (note (a))	4,601,000	4,601	61,932	-	66,533
Transfer from employee share-based compensation reserve (note 38)	-	-	18,800	-	18,800
Shares purchased for Share Award Scheme (note (b))	(214,600)	-	-	(32,494)	(32,494)
Vesting of shares of Share Award Scheme (note (c))	324,418	-	-	15,043	15,043
At 31 Dec 2008	1,073,939,532	1,074,886	346,902	(65,254)	1,356,534
At 1 Jan 2009	**1,073,939,532**	**1,074,886**	**346,902**	**(65,254)**	**1,356,534**
Shares issued under employee share option schemes (note (a))	**1,304,000**	**1,304**	**21,934**	**-**	**23,238**
Transfer from employee share-based compensation reserve (note 38)	**-**	**-**	**6,759**	**-**	**6,759**
Shares purchased for Share Award Scheme (note (b))	**(89,700)**	**-**	**-**	**(8,568)**	**(8,568)**
Vesting of shares of Share Award Scheme (note (c))	**360,749**	**-**	**-**	**22,121**	**22,121**
At 31 Dec 2009	**1,075,514,581**	**1,076,190**	**375,595**	**(51,701)**	**1,400,084**

	HKEx			
	Number of shares of $1 each	**Share capital** $'000	**Share premium** $'000	**Total** $'000
At 1 Jan 2008	1,070,285,346	1,070,285	266,170	1,336,455
Shares issued under employee share option schemes (note (a))	4,601,000	4,601	61,932	66,533
Transfer from employee share-based compensation reserve (note 38)	-	-	18,800	18,800
At 31 Dec 2008	1,074,886,346	1,074,886	346,902	1,421,788
At 1 Jan 2009	**1,074,886,346**	**1,074,886**	**346,902**	**1,421,788**
Shares issued under employee share option schemes (note (a))	**1,304,000**	**1,304**	**21,934**	**23,238**
Transfer from employee share-based compensation reserve (note 38)	**-**	**-**	**6,759**	**6,759**
At 31 Dec 2009	**1,076,190,346**	**1,076,190**	**375,595**	**1,451,785**

37. Share Capital, Share Premium and Shares Held for Share Award Scheme (continued)

(a) During the year, employee share options granted under the Pre-Listing Scheme and the Post-Listing Scheme were exercised to subscribe for 1,304,000 shares (2008: 4,601,000 shares) in HKEx at an average consideration of $17.82 per share (2008: $14.46 per share), of which $1.00 per share was credited to share capital and the balance was credited to the share premium account.

(b) During the year, the Share Award Scheme (note 38(c)) acquired 89,700 HKEx shares (2008: 214,600 shares) through purchases on the open market. The total amount paid to acquire the shares during the year was $8,568,000 (2008: $32,494,000) and had been deducted from shareholders' equity.

(c) During the year, the Share Award Scheme transferred 360,749 HKEx shares (2008: 324,418 shares) to the awardees upon vesting of certain Awarded Shares and the shares arising from related dividends reinvested. The total cost of the vested shares was $22,121,000 (2008: $15,043,000).

38. Employee Share–based Compensation Reserve

	Group and HKEx	
	2009	2008
	$'000	$'000
At 1 Jan	**47,032**	49,669
Employee share-based compensation benefits (note (a) and note 10)	**20,583**	28,179
Transfer to share premium upon exercise of employee share options (note 37)	**(6,759)**	(18,800)
Vesting of shares of Share Award Scheme	**(17,777)**	(12,016)
At 31 Dec	**43,079**	47,032

(a) The Group operates two share option schemes and a share award scheme as part of the benefits to its employees.

(b) Share options

(i) Under the terms of the Pre-Listing Scheme and the Post-Listing Scheme, share options were granted to employees in June 2000 and during the period from May 2003 to January 2005 respectively. The share options would vest progressively from the second to the fifth year after the grant provided that the relevant employee remained employed by the Group. Share options of the Pre-Listing Scheme are exercisable up to 30 May 2010 and share options for the Post-Listing Scheme are exercisable up to 10 years after the grant date.

The estimated fair value of share options granted is determined at the date of the grant and is charged as an expense over the projected vesting period being the period for which the services from the employees are rendered with a corresponding credit to employee share-based compensation reserve.

38. Employee Share–based Compensation Reserve (continued)

(b) Share options (continued)

(i) (continued)

On exercising the share options, the consideration received is credited to share capital in respect of the nominal value of the shares issued with the balance credited to share premium. The original estimated fair value of the relevant share options is then transferred from employee share-based compensation reserve to share premium.

When share options are not exercised on expiry, the original estimated fair value of such share options is transferred from employee share-based compensation reserve to retained earnings.

(ii) Movements in the number of shares issuable under options granted and their related weighted average exercise prices were as follows:

	2009		2008	
	Average exercise price per share $	**Number of shares issuable under options granted**	Average exercise price per share $	Number of shares issuable under options granted
Pre-Listing Scheme				
Outstanding at 1 Jan	**6.88**	**130,000**	6.88	379,000
Exercised	**6.88**	**(16,000)**	6.88	(249,000)
Outstanding at 31 Dec	**6.88**	**114,000**	6.88	130,000
Post-Listing Scheme				
Outstanding at 1 Jan	**18.30**	**4,555,500**	16.67	9,089,500
Exercised	**17.96**	**(1,288,000)**	14.89	(4,352,000)
Forfeited	**19.25**	**(25,000)**	18.53	(182,000)
Outstanding at 31 Dec	**18.43**	**3,242,500**	18.30	4,555,500
Total	**18.03**	**3,356,500**	17.98	4,685,500

At 31 December 2009, out of the 3,356,500 outstanding options (31 December 2008: 4,685,500), 2,201,500 options (31 December 2008: 887,000) were vested and exercisable at a weighted average exercise price of $17.40 (31 December 2008: $16.22) per share.

During the year, employee share options granted under the Pre-Listing Scheme and the Post-Listing Scheme were exercised to subscribe for 1,304,000 shares (2008: 4,601,000 shares). The weighted average closing share price on the dates on which the options were exercised was $97.90 (2008: $139.06) per share.

38. Employee Share–based Compensation Reserve (continued)

(b) Share options (continued)

(iii) Share options outstanding as at 31 December had the following remaining contractual lives and exercise prices:

	2009		2008	
	Remaining contractual life	**Number of shares issuable under options granted**	Remaining contractual life	Number of shares issuable under options granted
Exercise price				
$6.88	**0.41 years**	**114,000**	1.41 years	130,000
$17.30	**N/A**	**-**	5.04 years	273,500
$16.96	**4.24 years**	**1,020,000**	5.24 years	1,514,500
$15.91	**4.37 years**	**100,000**	5.37 years	100,000
$19.25	**5.07 years**	**2,122,500**	6.07 years	2,667,500
	4.64 years	**3,356,500**	5.60 years	4,685,500

(c) Awarded Shares

(i) From September 2005, a Share Award Scheme ("the Scheme") has been in effect. The terms of the Scheme provide for shares in HKEx to be awarded to employees of the Group (including the Executive Director) as part of their compensation package. Such shares would be vested progressively from the second to the fifth year after the awards are granted, provided that the relevant awardee remained employed by the Group or retired on reaching normal retirement age. In the meantime, the Awarded Shares are held in a trust set up by the Scheme.

Following the Board's decision to award shares to eligible employees, the Awarded Shares are purchased from the market and the cost debited to Shares held for Share Award Scheme.

The cost of the Awarded Shares is charged to staff costs and related expenses over the projected vesting period being the period for which the services from the employees are rendered with a corresponding credit to employee share-based compensation reserve.

Dividends payable on the Awarded Shares held in the Scheme are applied to acquire further shares ("dividend shares") from the market and the payment is debited to Shares held for Share Award Scheme. The dividend shares are allocated to the awardees on a pro rata basis and have the same vesting periods as the related Awarded Shares.

Upon vesting and transfer to the awardees, an amount equivalent to the cost of the Awarded Shares and the dividend applied towards acquisition of any dividend shares is credited to Shares held for Share Award Scheme, with a corresponding debit to employee share-based compensation reserve and to retained earnings respectively.

For awardees who cease employment with the Group before vesting, the unvested shares are forfeited. The forfeited shares are held by the trustee of the Scheme who may award such shares to the remaining awardees taking into consideration recommendations of the Board.

38. Employee Share–based Compensation Reserve (continued)

(c) Awarded Shares (continued)

(i) (continued)

Details of the Awarded Shares awarded during 2008 and 2009 are set out below:

Date of approval by Board	Date of award	Awarded Sum $'000	Number of shares purchased	Number of Awarded Shares awarded	Average fair value per share $	Vesting period
12 Dec 2007	4 Feb 2008	26,300	151,000	150,965	163.72	12 Dec 2009 – 12 Dec 2012
18 Feb 2008	7 Apr 2008	612	4,200	4,200[Ω]	144.18	18 Feb 2010 – 18 Feb 2013
10 Dec 2008	3 Feb 2009	4,900	59,900	59,900	81.96	1 Jan 2011 – 1 Jan 2014

Ω Awarded to the Chief Executive of HKEx

Details of the Awarded Shares vested during 2008 and 2009 are as follows:

Vesting date	Date of award	Number of Awarded Shares vested	Average fair value per share $	Cost of related Awarded Shares (including acquisition transaction costs) $'000
30 Apr 2008	19 Dec 2005	8,925	31.20	280
15 Dec 2008	15 Jan 2007	66,281*	72.28	4,790
19 Dec 2008	19 Dec 2005	221,550	31.20	6,946
31 Mar 2009	15 Jan 2007	4,020	72.28	290
31 Mar 2009	4 Feb 2008	1,361	163.72	223
16 Apr 2009	7 Jun 2007	1,750	81.33	142
18 Jun 2009	17 Jul 2007	1,375	102.29	141
14 Dec 2009	15 Jan 2007	61,403 *	72.28	4,438
14 Dec 2009	4 Feb 2008	34,951	163.72	5,722
21 Dec 2009	19 Dec 2005	217,550	31.20	6,821

* 2,882 of the shares vested on 15 December 2008 and 14 December 2009 were for the Chief Executive of HKEx

During the year ended 31 December 2009, 29,800 HKEx shares (2008: 59,400 shares) were acquired by the Scheme through reinvesting dividends received at a total cost (including related transaction costs) of $3,658,000 (2008: $7,167,000), of which 26,878 shares (2008: 56,377 shares) were subsequently allocated to awardees.

During the year ended 31 December 2009, 38,339 HKEx shares (2008: 27,662 shares) (including 303 shares (2008: 212 shares) for the Chief Executive of HKEx) at a cost of $4,344,000 (2008: $3,027,000) (including $34,000 (2008: $23,000) for the Chief Executive of HKEx) acquired from reinvesting dividends received were vested and transferred to the employees at nil consideration.

38. Employee Share–based Compensation Reserve (continued)

(c) Awarded Shares (continued)

(ii) Movements in the number of Awarded Shares awarded and shares acquired through reinvesting dividends received were as follows:

	2009 **Number of shares awarded/allocated**	2008 Number of shares awarded/allocated
Outstanding at 1 Jan	**876,813**	1,024,262
Awarded *	**59,900**	155,165
Forfeited	**(26,288)**	(32,798)
Vested	**(322,410)**	(296,756)
Dividends reinvested:		
- allocated to awardees	**26,878**	56,377
- allocated to awardees but subsequently forfeited	**(2,146)**	(1,775)
- vested	**(38,339)**	(27,662)
Outstanding at 31 Dec	**574,408**	876,813

* Average fair value per share of $81.96 (2008: $163.19)

(iii) The remaining vesting periods of the Awarded Shares awarded and shares acquired through reinvesting dividends received outstanding as at 31 December were as follows:

	2009		2008	
	Remaining vesting period	**Number of shares awarded/ allocated outstanding**	Remaining vesting period	Number of shares awarded/ allocated outstanding
Fair value				
$31.20	**0.97 year**	**217,550**	0.97 year to 1.97 years	443,100
$72.28	**0.95 year to 1.95 years**	**122,904**	0.95 year to 2.95 years	198,943
$81.33	**0.29 year to 2.29 years**	**5,250**	0.29 year to 3.29 years	7,000
$102.29	**0.47 year to 2.47 years**	**4,125**	0.47 year to 3.47 years	5,500
$163.72	**0.95 year to 2.95 years**	**104,974**	0.95 year to 3.95 years	148,958
$144.18	**1.13 year to 3.13 years**	**4,200**	1.13 year to 4.13 years	4,200
$81.96	**1.00 year to 4.00 years**	**59,900**	N/A	-
Dividends reinvested	**0.29 year to 4.00 years**	**55,505**	0.29 year to 4.13 years	69,112
		574,408		876,813

(iv) As at 31 December 2009, 101,357 forfeited or unallocated shares (31 December 2008: 70,001 shares) were held by the Scheme and would be allocated to awardees in future.

39. Revaluation Reserves

	Group		
	Leasehold land and buildings revaluation reserve $'000	Investment revaluation reserve (note (b)) $'000	Total $'000
At 1 Jan 2008	3,155	52,881	56,036
Change in fair value of available-for-sale financial assets during the year	-	111,494	111,494
Change in fair value of available-for-sale financial assets up to maturity	-	(54,451)	(54,451)
Realised gains of available-for-sale financial assets reclassified to profit or loss on disposal	-	(4,678)	(4,678)
Deferred tax for available-for-sale financial assets (note 35(b))	-	(8,565)	(8,565)
Transfer to retained earnings on disposal of a leasehold property (notes 28 and 42)	(3,155)	-	(3,155)
At 31 Dec 2008	-	96,681	96,681
At 1 Jan 2009	**-**	**96,681**	**96,681**
Change in fair value of available-for-sale financial assets up to maturity	-	**(113,265)**	**(113,265)**
Realised gains on available-for-sale financial assets reclassified to profit or loss on disposal	**-**	**(2,520)**	**(2,520)**
Deferred tax for available-for-sale financial assets (note 35(b))	**-**	**19,104**	**19,104**
At 31 Dec 2009	-	-	-

	HKEx
	Investment revaluation reserve $'000
At 1 Jan 2008	-
Change in fair value of available-for-sale financial assets during the year	133
Deferred tax for available-for-sale financial assets (note 35(b))	(22)
At 31 Dec 2008	111
At 1 Jan 2009	**111**
Change in fair value of available-for-sale financial assets up to maturity	**(133)**
Deferred tax for available-for-sale financial assets (note 35(b))	**22**
At 31 Dec 2009	**-**

(a) The revaluation reserves are segregated for their respective specific purposes and are stated net of applicable deferred taxes.

(b) The Group's investment revaluation reserve included gross investment revaluation surplus of $814,000 and $496,000 as at 31 December 2008 and 1 January 2008, which was attributable to investments of the Clearing House Funds.

40. Designated Reserves

Clearing House Funds reserves (note 29)

	Group			
	HKSCC Guarantee Fund reserve $'000	**SEOCH Reserve Fund reserve** $'000	**HKCC Reserve Fund reserve** $'000	**Total** $'000
At 1 Jan 2008	269,635	102,828	322,390	694,853
Surplus of net investment income net of expenses of Clearing House Funds transferred from retained earnings	6,314	3,818	10,601	20,733
Deficit of closing-out losses caused by defaulting Clearing Participants transferred to retained earnings	(156,640)	-	(6,563)	(163,203)
Transfer (to)/from retained earnings (note 42)	(150,326)	3,818	4,038	(142,470)
At 31 Dec 2008	119,309	106,646	326,428	552,383
At 1 Jan 2009	**119,309**	**106,646**	**326,428**	**552,383**
Surplus of net investment income net of expenses of Clearing House Funds transferred from retained earnings	**2,285**	**2,207**	**6,196**	**10,688**
Surplus of reversal of provision for closing-out losses caused by a defaulting Clearing Participant transferred from retained earnings	**330**	**-**	**-**	**330**
Transfer from retained earnings (note 42)	**2,615**	**2,207**	**6,196**	**11,018**
At 31 Dec 2009	**121,924**	**108,853**	**332,624**	**563,401**

41. Merger Reserve

The Group has taken advantage of the merger relief available under section 48C of the Hong Kong Companies Ordinance and treated the premium created by the issuance of shares on 6 March 2000, the date HKEx became the holding company of the Stock Exchange and the Futures Exchange and their subsidiaries, as a merger reserve. In the consolidated statement of financial position, the full amount of the merger reserve has been used to offset against the reserve arising on consolidation as explained in note 42(c).

42. Retained Earnings (Including Proposed Dividend)

	Group		HKEx	
	2009 $'000	As restated 2008 $'000	2009 $'000	2008 $'000
At 1 Jan, as previously reported	**5,242,692**	6,288,138	**1,538,834**	355,652
Effect of changes in accounting policies (note 2(b))	**(1,708)**	(1,415)	-	-
At 1 Jan, as restated	**5,240,984**	6,286,723	**1,538,834**	355,652
Profit attributable to shareholders (notes (a) and (b))	**4,704,044**	5,128,631	**4,333,023**	7,507,331
Transfer (to)/from Clearing House Funds reserves (note 40)	**(11,018)**	142,470	-	-
Transfer from leasehold buildings revaluation reserve on disposal of a leasehold property (note 39)	-	3,155	-	-
	(11,018)	145,625	-	-
Dividends:				
2008/2007 final dividend	**(1,932,993)**	(3,634,850)	**(1,934,795)**	(3,638,970)
Dividend on shares issued for employee share options exercised after 31 Dec 2008/31 Dec 2007	**(1,715)**	(11,309)	**(1,715)**	(11,309)
	(1,934,708)	(3,646,159)	**(1,936,510)**	(3,650,279)
2009/2008 interim dividend	**(1,977,861)**	(2,670,320)	**(1,979,728)**	(2,673,381)
Dividend on shares issued for employee share options exercised after 30 Jun 2009/30 Jun 2008	**(249)**	(3,055)	**(249)**	(3,055)
	(1,978,110)	(2,673,375)	**(1,979,977)**	(2,676,436)
Unclaimed dividends forfeited (note 32(b))	**3,914**	2,566	**3,914**	2,566
Vesting of shares of Share Award Scheme	**(4,344)**	(3,027)	-	-
At 31 Dec	**6,020,762**	5,240,984	**1,959,284**	1,538,834
Representing:				
Retained earnings	**3,772,936**	3,307,893	**(289,954)**	(395,961)
Proposed dividend	**2,247,826**	1,933,091	**2,249,238**	1,934,795
At 31 Dec	**6,020,762**	5,240,984	**1,959,284**	1,538,834

(a) Profit attributable to shareholders included a profit of $4,333,023,000, of which $4,308,836,000 was dividends from subsidiaries (2008: $7,507,331,000, of which $7,481,800,000 was dividends from subsidiaries), which has been dealt with in the accounts of HKEx, the holding company of the Group.

(b) The Group's profit attributable to shareholders included a surplus attributable to the net investment income net of expenses and reversal of provision for closing-out losses of the Clearing House Funds of $11,018,000 (2008: net deficit attributable to the net investment income net of expenses less provision for closing-out losses of the Clearing House Funds of $142,470,000).

(c) The negative reserve arising on consolidation of $4,116,436,000, representing the difference between the cost of acquiring the subsidiaries at the time of the merger and their respective issued share capital, was offset against merger reserve of $2,997,115,000 (note 41) and retained earnings of $1,119,321,000.

43. Notes to the Consolidated Statement of Cash Flows

Reconciliation of profit before taxation to net cash inflow from operating activities:

	2009 $'000	As restated 2008 $'000
Profit before taxation	**5,542,091**	5,928,137
Adjustments for:		
Net interest income	**(288,143)**	(1,051,451)
Net realised and unrealised (gains)/losses and interest income on financial assets measured at fair value through profit or loss, and financial assets and financial liabilities at fair value through profit or loss	**(329,636)**	57,892
Realised gains on available-for-sale financial assets of Corporate Funds	**-**	(23)
Dividend income	**(2,411)**	(3,769)
Interest expenses on bank overdrafts	**27**	268
Depreciation	**101,173**	109,646
Employee share-based compensation benefits	**20,583**	28,179
(Reversal of provision for)/provision for impairment losses of trade receivables	**(1,548)**	164,960
Provision for impairment losses of club debenture	**-**	5
Provision for impairment loss of leasehold improvements	**754**	-
Changes in provisions	**(1,707)**	5,474
Gain on disposal of properties	**-**	(68,641)
Gain on disposal of fixed assets	**(476)**	(2,367)
Net decrease in Margin Fund financial assets	**21,508,329**	13,639,237
Net decrease in Margin Fund financial liabilities	**(21,597,056)**	(13,589,165)
Net (increase)/decrease in Clearing House Fund financial assets	**(506,223)**	967,021
Net increase/(decrease) in Clearing House Fund financial liabilities	**497,078**	(985,826)
Net (decrease)/increase in cash collateral received from HKSCC Clearing Participants	**(168,177)**	880,314
Net increase in financial assets measured at fair value through profit or loss, and financial assets and financial liabilities at fair value through profit or loss	**(41,699)**	(201,428)
(Increase)/decrease in accounts receivable, prepayments and deposits	**(2,808,728)**	9,655,462
Increase/(decrease) in other current liabilities	**2,940,249**	(9,738,900)
Net cash inflow from operations	**4,864,480**	5,795,025
Interest received from bank deposits	**110,832**	561,809
Dividends received	**2,424**	3,833
Interest received from financial assets measured at fair value through profit or loss and financial assets at fair value through profit or loss	**110,905**	127,021
Interest paid	**(3,394)**	(77,127)
Hong Kong Profits Tax paid	**(711,249)**	(1,361,246)
Net cash inflow from operating activities	**4,373,998**	5,049,315

44. Commitments

(a) Commitments in respect of capital expenditures:

	Group		HKEx	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Contracted but not provided for	**930**	16,908	**930**	2,390
Authorised but not contracted for	**64,806**	66,982	**25,733**	18,935
	65,736	83,890	**26,663**	21,325

The commitments in respect of capital expenditures of the Group were mainly for the upgrade and enhancement of trading and clearing systems, development and purchases of various other computer systems and, at 31 December 2008, office and data centre consolidation.

(b) Commitments for total future minimum lease payments under non-cancellable operating leases

	Group		HKEx	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Land and buildings				
- within one year	**173,228**	73,302	**1,221**	2,738
- in the second to fifth years	**169,805**	98,967	**228**	1,447
	343,033	172,269	**1,449**	4,185
Computer systems, software and equipment				
- within one year	**4,846**	9,362	**2,538**	7,057
- in the second to fifth years	**90**	369	**90**	369
	4,936	9,731	**2,628**	7,426
	347,969	182,000	**4,077**	11,611

As at 31 December 2009, in respect of computer systems, software and equipment, the majority of the leases would mature within one year (2008: one year) and the Group did not have any purchase options.

(c) Commitments in respect of financial contributions to Financial Reporting Council

The Financial Reporting Council ("FRC") is an independent statutory body established on 1 December 2006 under the Financial Reporting Council Ordinance to receive and investigate complaints concerning irregularities of auditors and reporting accountants of listed companies and non-compliances in the financial reports of listed companies. Since the establishment of the FRC in 2006, the Group has been providing funding for the FRC's operations.

Under a memorandum of understanding signed in December 2009, the Group has further agreed to make recurrent contributions to the FRC from 2010 to 2014. The first contribution of $4 million was made in January 2010. The contributions shall be increased by 5 per cent per annum from 2011 to 2014.

45. Contingent Liabilities

As at 31 December 2009, the Group and HKEx's material contingent liabilities were as follows:

(a) Group

(i) The Group has a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding $72 million. Up to 31 December 2009, no calls had been made by the SFC in this connection.

(ii) The Stock Exchange has undertaken to indemnify the Collector of Stamp Revenue against any loss of revenue resulting from any underpayment or default or delay in payment of stamp duty by its Participants, up to $200,000 in respect of the default of any one Participant (note 33(b)(i)).

In 2008, Lehman Brothers Securities Asia Limited defaulted on its stamp duty payments. The Stock Exchange has accordingly paid $200,000 to the Collector of Stamp Revenue in respect of the guarantee.

In the unlikely event that all of its remaining 462 trading Participants as at 31 December 2009 (31 December 2008 and 1 January 2008: 448 and 439 respectively) defaulted, the maximum contingent liability of the Stock Exchange under the indemnity would amount to $92,400,000 (31 December 2008 and 1 January 2008: $89,600,000 and $87,800,000 respectively).

(b) HKEx

(i) HKEx gave an undertaking on 6 March 2000 in favour of HKSCC to contribute an amount not exceeding $50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEx or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEx, for payment of the debts and liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEx, and for the costs, charges and expenses of winding up (note 33(b)(ii)).

46. Future Operating Lease Arrangements

As at 31 December, the future aggregate minimum lease receipts under non-cancellable operating leases of the Group were as follows:

	Group	
	2009	2008
	$'000	$'000
Land and buildings		
- within one year	**1,118**	1,086
- in the second to fifth years	**945**	1,980
	2,063	3,066
Trading booths and related facilities		
- within one year	**15,444**	15,088
- in the second to fifth years	**12,870**	28,171
	28,314	43,259
Total	**30,377**	46,325

47. Connected Transactions and Material Related Party Transactions

(a) Connected transactions and material related party transactions

Certain Directors of HKEx may be investor participants of HKSCC ("Investor Participants") or directors and/or shareholders of (i) Stock Exchange Participants and Futures Exchange Participants ("Exchange Participants"), Clearing Participants and Investor Participants; (ii) companies listed on the Stock Exchange; and (iii) Exchange Participants for buying shares on behalf of HKSCC. Securities and derivatives contracts traded by, and fees levied on, these Exchange Participants, Clearing Participants and Investor Participants, fees levied on these listed companies and fees paid to these Exchange Participants for buying shares on behalf of HKSCC are all undertaken in the ordinary course of business of the Group on the standard terms and conditions applicable to all other Exchange Participants, Clearing Participants, Investor Participants, listed companies and Exchange Participants for buying shares on behalf of HKSCC.

Certain transactions undertaken during the year were regarded as related party transactions in accordance with HKAS 24 but the amounts were immaterial. Certain transactions fell under the definition of continuing connected transactions under the Main Board Listing Rules are disclosed in the Corporate Governance Report.

(b) Material related party transactions

In addition to the above, the Group or HKEx entered into certain material related party transactions which were not regarded as connected transactions as defined under the Main Board Listing Rules. Details of such transactions are set out below.

(i) Transactions with subsidiaries and a controlled special purpose entity

	HKEx	
	2009	2008
	$'000	$'000
Dividend income	**4,308,836**	7,481,800
Interest income	**-**	578
Management fee and equipment rental fee charged	**380,592**	369,236
Expenses recharged	**926,307**	885,225
Dividend paid	**(3,669)**	(7,181)

(ii) Key management personnel compensation

	Group		HKEx	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Salaries and other short-term employee benefits	**82,257**	79,270	**66,806**	63,005
Employee share-based compensation benefits	**6,686**	10,277	**5,094**	8,018
Retirement benefit costs	**6,658**	6,573	**5,406**	5,214
	95,601	96,120	**77,306**	76,237

47. Connected Transactions and Material Related Party Transactions (continued)

(b) Material related party transactions (continued)

(iii) Balances with related parties

	HKEx		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Amounts due from subsidiaries (note 36(b))	**2,798,007**	1,839,066	1,171,921
Amounts due to subsidiaries (note 36(b))	**(483,565)**	(32,269)	(522,218)
Financial guarantee granted to a subsidiary (maximum amount guaranteed) (note 45(b)(i))	**50,000**	50,000	50,000

(iv) Post-retirement benefit plans

Details of transactions with the Group's post-retirement benefit plans are included in note 10(a).

(v) Save as aforesaid, the Group and HKEx have entered into other transactions in the ordinary course of business with companies that are related parties but the amounts were immaterial.

48. Banking Facilities with Assets Pledged

The Group did not have any assets pledged as at 31 December 2009, 31 December 2008 and 1 January 2008.

49. Capital Management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group adopts a dividend policy of providing shareholders with regular dividends with a normal target payout ratio of 90 per cent of the profit of the year, while retaining 10 per cent of the profit as capital of the Group for future use. As at 31 December 2009, the Group had set aside $3,100 million of shareholders' funds (31 December 2008 and 1 January 2008: $3,100 million) for the purpose of strengthening the risk management regime of the clearing houses and supporting their roles as central counterparties.

As in prior years, the Group monitors capital by reviewing the level of capital that is at the disposal of the Group ("adjusted capital"). Adjusted capital comprises all components of shareholders' equity other than designated reserves and investment revaluation reserve of the Clearing House Funds net of applicable deferred taxes, if any. The adjusted capital of the Group at 31 December 2009 was $7,463,925,000 (31 December 2008 and 1 January 2008: $6,740,551,000 (as restated) and $7,680,671,000 (as restated) respectively).

50. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, equity price risk and interest rate risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

(a) Market risk management

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity and commodity prices and interest rates. The Group is exposed to market risk primarily through its investments held.

Funds available for investment comprise four main categories: Corporate Funds (mainly share capital and retained earnings of the Group), Clearing House Funds, Margin Funds and cash collateral received (which exclude non-cash collateral and contributions receivable from Participants).

The Group's investment policy is to prudently invest all funds managed by the Group in a manner which will satisfy liquidity requirements, safeguard financial assets and manage risks while optimising return on investments.

Investment and fund management is governed by investment policy and risk management guidelines approved by the Board. Investment restrictions and guidelines form an integral part of risk control. Fund-specific restrictions and guidelines are set according to the investment objectives of each fund. Investments are diversified to minimise risks and no investments are made for speculative purposes. In addition, specific limits are set for each fund to control risks (eg, permissible asset type, asset allocation, liquidity, credit, counterparty concentration, maturity, foreign exchange and interest rate risks) of the investments.

An Investment Advisory Committee, comprised of Non-executive Directors of HKEx and an external member from the financial community, advises the Board on portfolio management and monitors the risk and performance of HKEx's investments. A Treasury team in the Finance and Administration Division is dedicated to the day-to-day management and investment of the funds. External fund managers have also been appointed to manage part of the Corporate Funds since July 2001. The external fund managers are stable and financially strong financial institutions and each has a worldwide aggregate fund size of a minimum of US$10 billion under management.

(i) Foreign exchange risk management

Foreign exchange risk is the risk that the value of an asset, liability or highly probable forecast transaction denominated in foreign currency will fluctuate because of changes in foreign exchange rates. When seeking to optimise the returns on its funds available for investment, the Group may invest in non-HKD securities from time to time. Forward foreign exchange contracts and foreign currency bank deposits have been used to hedge the currency exposure of the Group's non-HKD investments and liabilities to mitigate risks arising from fluctuations in exchange rates.

50. Financial Risk Management (continued)

(a) Market risk management (continued)

(i) Foreign exchange risk management (continued)

The investment in non-HKD securities is governed by the Group's investment policy and subject to the following restrictions:

- up to 20 per cent of the Corporate Funds may be invested in non-HKD or non-USD investments after hedging;
- only USD investments are permitted for the Clearing House Funds; and
- foreign currency investments or deposits of the Margin Funds are permitted to the extent that they fully match the liabilities of the respective currencies, except up to 25 per cent of the HKD liabilities may be invested in USD deposits for a maximum maturity of two weeks.

Details of the Group's and HKEx's financial assets and financial liabilities denominated in foreign currencies and the net open position of the foreign currency risks (ie, gross position less forward foreign exchange contracts and related hedges) as at 31 December in HKD equivalents were as follows:

50. Financial Risk Management (continued)

(a) Market risk management (continued)

(i) Foreign exchange risk management (continued)

		Group		
		At 31 Dec 2009		
	Foreign currency	**Gross open position $'000**	**Forward foreign exchange contracts and economic hedges $'000**	**Net open position $'000**
Financial assets/(financial liabilities)				
Financial assets measured at amortised cost	RMB	**609**	**-**	**609**
	USD	**220,252**	**-**	**220,252**
Accounts receivable and deposits	USD	**139**	**-**	**139**
Financial assets measured at fair value through profit or loss@	AUD	**144,975**	**(119,031)**	**25,944**
	CAD	**8,701**	**-**	**8,701**
	CHF	**6,357**	**-**	**6,357**
	EUR	**384,083**	**(321,432)**	**62,651**
	GBP	**129,061**	**(99,505)**	**29,556**
	JPY	**31,380**	**-**	**31,380**
	RMB	**18,319**	**-**	**18,319**
	USD	**2,377,940**	**(357,124)**	**2,020,816**
Cash and cash equivalents*	AUD	**964**	**-**	**964**
	CAD	**894**	**-**	**894**
	EUR	**3,268**	**-**	**3,268**
	GBP	**566**	**-**	**566**
	JPY	**545,107**	**(541,415)**	**3,692**
	NZD	**1**	**-**	**1**
	RMB	**1,124**	**-**	**1,124**
	SGD	**869**	**-**	**869**
	USD	**784,560**	**(31,208)**	**753,352**
Margin deposits from Clearing Participants on derivatives contracts*	JPY	**(541,415)**	**541,415**	**-**
	USD	**(31,208)**	**31,208**	**-**
Accounts payable, accruals and other liabilities	MYR	**(2)**	**-**	**(2)**
	RMB	**(1,723)**	**-**	**(1,723)**
	USD	**(39,149)**	**-**	**(39,149)**
Other financial liabilities	USD	**(16)**	**-**	**(16)**
Non-financial assets/(non-financial liabilities)				
Net non-financial liabilities	USD	**(8,195)**	**-**	**(8,195)**
Total net open position for the Group	AUD			**26,908**
	CAD			**9,595**
	CHF			**6,357**
	EUR			**65,919**
	GBP			**30,122**
	JPY			**35,072**
	MYR			**2**
	NZD			**1**
	RMB			**18,329**
	SGD			**869**
	USD			**2,947,199**
				3,140,373

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

@ Forward foreign exchange contracts have been used in economic hedges of the currency exposure of the Group's investments by external fund managers.

50. Financial Risk Management (continued)

(a) Market risk management (continued)

(i) Foreign exchange risk management (continued)

		Group		
		At 31 Dec 2008		
	Foreign currency	Gross open position $'000	Forward foreign exchange contracts and economic hedges $'000	Net open position $'000
Financial assets/(financial liabilities)				
Financial assets at amortised cost	RMB	609	-	609
Accounts receivable and deposits	EUR	162	-	162
	GBP	(76)	-	(76)
	SGD	72	-	72
	USD	8,232	-	8,232
Financial assets at fair value through profit or loss@	AUD	101,788	(27,475)	74,313
	CHF	5,119	-	5,119
	EUR	353,091	(301,292)	51,799
	GBP	143,063	(140,276)	2,787
	JPY	25,315	-	25,315
	NZD	11,963	-	11,963
	SGD	6,988	-	6,988
	USD	2,304,350	(413,555)	1,890,795
Cash and cash equivalents*	AUD	5,538	-	5,538
	CAD	3	-	3
	CHF	136	-	136
	EUR	688	-	688
	GBP	1,081	-	1,081
	JPY	4,977,127	(4,959,317)	17,810
	NZD	1	-	1
	RMB	976	-	976
	SGD	7,411	-	7,411
	USD	4,535,051	(23,223)	4,511,828
Margin deposits from Clearing Participants on derivatives contracts*	JPY	(4,959,317)	4,959,317	-
	USD	(23,223)	23,223	-
Accounts payable, accruals and other liabilities	GBP	(49)	-	(49)
	MYR	(2)	-	(2)
	RMB	(1,211)	-	(1,211)
	USD	(29,718)	-	(29,718)
Other financial liabilities	EUR	(106)	-	(106)
	JPY	(222)	-	(222)
	USD	(299)	-	(299)
Non-financial assets/(non-financial liabilities)				
Net non-financial liabilities	USD	(8,147)	-	(8,147)
Total net open position for the Group	AUD			79,851
	CAD			3
	CHF			5,255
	EUR			52,543
	GBP			3,743
	JPY			42,903
	MYR			2
	NZD			11,964
	RMB			374
	SGD			14,471
	USD			6,372,691
				6,583,800

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

@ Forward foreign exchange contracts have been used in economic hedges of the currency exposure of the Group's investments by external fund managers.

50. Financial Risk Management (continued)

(a) Market risk management (continued)

(i) Foreign exchange risk management (continued)

		Group		
		At 1 Jan 2008		
	Foreign currency	Gross open position $'000	Forward foreign exchange contracts and hedges $'000	Net open position $'000
Financial assets/(financial liabilities)				
Financial assets at amortised cost	RMB	342	-	342
	USD	39,114	-	39,114
Accounts receivable and deposits	USD	1,687	-	1,687
Financial assets at fair value through profit or loss[@]	AUD	52,075	(3,413)	48,662
	CAD	6,003	-	6,003
	EUR	263,173	(194,821)	68,352
	GBP	109,795	(91,384)	18,411
	JPY	46,418	(23,170)	23,248
	SGD	11,362	-	11,362
	USD	2,424,810	(537,532)	1,887,278
Cash and cash equivalents[*]	AUD	240	-	240
	CAD	3	-	3
	CHF	8,932	-	8,932
	EUR	5,825	-	5,825
	GBP	1,366	-	1,366
	JPY	7,871,973	(7,863,052)	8,921
	NZD	1	-	1
	RMB	526	-	526
	SEK [#]	623	(253)	370
	SGD	7,458	-	7,458
	USD	2,629,456	(39)	2,629,417
Margin deposits from Clearing Participants on derivatives contracts*	JPY	(7,863,052)	7,863,052	-
	USD	(39)	39	-
Accounts payable, accruals and other liabilities	GBP	(8)	-	(8)
	MYR	(2)	-	(2)
	RMB	(1,602)	-	(1,602)
	SEK [#]	(257)	253	(4)
	USD	(32,294)	-	(32,294)
Non-financial assets/(non-financial liabilities)				
Net non-financial liabilities	USD	(8,138)	-	(8,138)
Total net open position for the Group	AUD			48,902
	CAD			6,006
	CHF			8,932
	EUR			74,177
	GBP			19,769
	JPY			32,169
	MYR			2
	NZD			1
	RMB			734
	SEK			366
	SGD			18,820
	USD			4,517,064
				4,726,942

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

@ Forward foreign exchange contracts have been used in economic hedges of the currency exposure of the Group's investments by external fund managers.

Foreign currency cash and bank deposits have been used to hedge the currency exposure of the Group's liabilities.

50. Financial Risk Management (continued)

(a) Market risk management (continued)

(i) Foreign exchange risk management (continued)

		HKEx		
		At 31 Dec 2009		
	Foreign currency	Gross open position $'000	Forward foreign exchange contracts and economic hedges $'000	Net open position $'000
Financial assets/(financial liabilities)				
Financial assets measured at amortised cost	RMB	**609**	**-**	**609**
Accounts receivables and deposits	USD	**44**	**-**	**44**
Cash and cash equivalents	RMB	**1,118**	**-**	**1,118**
Accounts payable, accruals and other liabilities	RMB	**(1,723)**	**-**	**(1,723)**
	USD	**(10,575)**	**-**	**(10,575)**
Total net open position for HKEx	RMB			**4**
	USD			**10,531**
				10,535

		HKEx		
		At 31 Dec 2008		
	Foreign currency	Gross open position $'000	Forward foreign exchange contracts and economic hedges $'000	Net open position $'000
Financial assets/(financial liabilities)				
Financial assets at amortised cost	RMB	609	-	609
Accounts receivables and deposits	EUR	162	-	162
	USD	44	-	44
Cash and cash equivalents	RMB	969	-	969
Accounts payable, accruals and other liabilities	GBP	(1)	-	(1)
	RMB	(1,211)	-	(1,211)
	USD	(16,877)	-	(16,877)
Total net open position for HKEx	EUR			162
	GBP			1
	RMB			367
	USD			16,833
				17,363

50. Financial Risk Management (continued)

(a) Market risk management (continued)

(i) Foreign exchange risk management (continued)

		HKEx		
		At 1 Jan 2008		
	Foreign currency	Gross open position $'000	Forward foreign exchange contracts and hedges $'000	Net open position $'000
Financial assets/(financial liabilities)				
Financial assets at amortised cost	RMB	342	-	342
	USD	44	-	44
Cash and cash equivalents	RMB	520	-	520
	SEK #	623	(253)	370
Accounts payable, accruals and other liabilities	RMB	(1,602)	-	(1,602)
	SEK #	(257)	253	(4)
	USD	(14,140)	-	(14,140)
Total net open position for HKEx	RMB			740
	SEK			366
	USD			14,096
				15,202

Foreign currency cash and bank deposits have been used to hedge the currency exposure of HKEx's liabilities.

(ii) Equity and commodity price risk management

The Group is exposed to equity price risk as mutual funds, equities, equity index futures and options contracts may be held as part of the Corporate Fund's investments. Equity price risk is capped by an asset allocation limit. The Group sets prudent investment limits and restrictions to control investment in equity securities. The Group is not exposed to commodity price risk as investment in commodities is not permitted under the Group's investment policy.

(iii) Interest rate risk management

There are two types of interest rate risk:

- Fair value interest rate risk - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- Cash flow interest rate risk - the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to both fair value and cash flow interest rate risks as the Group has significant assets and liabilities which are interest-bearing. The Group manages its interest rate risks by setting limits on the residual maturity of the investments and on the fixed and floating rate mismatches of its assets and liabilities.

50. Financial Risk Management (continued)

(a) Market risk management (continued)

(iv) Risk management techniques

Value-at-Risk ("VaR") based on historical simulation and portfolio stress testing are used to identify, measure, monitor and control foreign exchange risk, equity price risk and interest rate risks of the Group's investments. VaR measures the expected maximum loss over a given time interval (a holding period of 10 trading days is used by the Group) at a given confidence level (95 per cent confidence interval is adopted by the Group) based on historical data (one year is used by the Group). The Board sets a limit on total VaR of the Group and VaR is monitored on a weekly basis.

VaR is a statistical measure of risks and has limitations associated with the assumptions employed. Historical simulation assumes that actual observed historical changes in market indices, such as interest rates, foreign exchange rates and equity prices, reflect possible future changes. This implies that the approach is vulnerable to sudden changes in market behaviour. The use of a 10-day holding period assumes that the positions can be unwound in 10 trading days and the holding period may be insufficient at times of severe illiquidity. Also, VaR does not necessarily reflect all aspects of risks that affect the price of financial instruments and may underestimate real market risk exposure. In addition, VaR does not factor in the possibility of catastrophic risk but the use of stress testing for abnormal market conditions can mitigate this limitation.

The VaR for each risk factor and the total VaR of the investments and related economic hedges of the Group and HKEx during the year were as follows:

	Group					
	2009			2008		
	Average $'000	**Highest $'000**	**Lowest $'000**	Average $'000	Highest $'000	Lowest $'000
Foreign exchange risk	**9,915**	**14,993**	**5,386**	7,463	16,487	4,448
Equity price risk	**20,898**	**31,543**	**10,413**	12,972	16,821	9,394
Interest rate risk	**47,747**	**66,464**	**27,885**	35,074	48,699	27,290
Total VaR	**48,522**	**69,650**	**31,356**	33,295	45,653	25,135

	HKEx					
	2009			2008		
	Average $'000	**Highest $'000**	**Lowest $'000**	Average $'000	Highest $'000	Lowest $'000
Foreign exchange risk	**-**	**-**	**-**	4	19	-
Interest rate risk	**244**	**466**	**45**	114	212	26
Total VaR	**244**	**466**	**45**	114	212	26

VaR for each risk factor is the independently derived largest potential loss due to fluctuations solely in that risk factor. The individual VaRs did not add up to the total VaR as there was diversification effect due to correlation amongst the risk factors. Moreover, in respect of the highest and lowest VaRs during the year, the highest and lowest VaRs in each market did not necessarily occur on the same day.

50. Financial Risk Management (continued)

(b) Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset, and it results from amount and maturity mismatches of assets and liabilities.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met.

Surplus cash of the Group is invested by the Treasury team, and the investments of the Group are kept sufficiently liquid to meet the operating needs and possible liquid requirements of the Clearing House Funds, Margin Funds and cash collateral. The Group also sets a limit on the minimum level of cash or bank deposits held for the Corporate Funds, and the minimum level of investments to be held that would mature the same day and the next day for the Clearing House Funds and Margin Funds. All cash collateral received are held in savings accounts.

The table below analyses the Group's and HKEx's financial assets into the relevant maturity buckets based on the following criteria:

- the expected amounts, subject to costs to liquidate that are expected to be immaterial, that could be realised from the investments, bank deposits and cash and cash equivalents within one month to meet cash outflows on financial liabilities if required are allocated to the up to 1 month bucket;
- other financial assets are allocated based on their contractual maturity dates.

	Group				
	At 31 Dec 2009				
	Up to 1 month* $'000	>1 month to 3 months $'000	>3 months to 1 year $'000	>1 year to 5 years $'000	Total $'000
Non-current assets					
Financial assets measured at fair value through profit or loss	**1,559,405**	**-**	**-**	**-**	**1,559,405**
Financial assets measured at amortised cost	**718,450**	**-**	**164**	**49,319**	**767,933**
Current assets					
Accounts receivable and deposits#	**11,271,343**	**48,207**	**140**	**-**	**11,319,690**
Financial assets measured at fair value through profit or loss	**12,465,473**	**-**	**-**	**-**	**12,465,473**
Financial assets measured at amortised cost	**4,157,247**	**-**	**-**	**-**	**4,157,247**
Cash and cash equivalents	**14,738,083**	**-**	**-**	**-**	**14,738,083**
	44,910,001	**48,207**	**304**	**49,319**	**45,007,831**

50. Financial Risk Management (continued)

(b) Liquidity risk management (continued)

	Group				
	At 31 Dec 2008				
	Up to 1 month* $'000	>1 month to 3 months $'000	>3 months to 1 year $'000	>1 year to 5 years $'000	Total $'000
Non-current assets					
Financial assets at amortised cost	23,520	3,764	282	19,606	47,172
Current assets					
Accounts receivable and deposits#	8,467,934	47,283	3,241	-	8,518,458
Financial assets at fair value through profit or loss	3,020,035	-	-	-	3,020,035
Available-for-sale financial assets	19,394,095	-	-	-	19,394,095
Financial assets at amortised cost	3,664,012	-	-	-	3,664,012
Cash and cash equivalents	27,783,692	-	-	-	27,783,692
	62,353,288	51,047	3,523	19,606	62,427,464

	Group				
	At 1 Jan 2008				
	Up to 1 month* $'000	>1 month to 3 months $'000	>3 months to 1 year $'000	>1 year to 5 years $'000	Total $'000
Non-current assets					
Available-for-sale financial assets	481,666	-	-	-	481,666
Financial assets at amortised cost	-	-	6,374	12,803	19,177
Current assets					
Accounts receivable and deposits#	18,291,575	57,826	432	-	18,349,833
Financial assets at fair value through profit or loss	2,996,555	-	-	-	2,996,555
Available-for-sale financial assets	19,681,853	-	-	-	19,681,853
Financial assets at amortised cost	3,190,733	-	-	-	3,190,733
Cash and cash equivalents	42,768,745	-	-	-	42,768,745
	87,411,127	57,826	6,806	12,803	87,488,562

* Amounts included $9,618,053,000 (31 December 2008 and 1 January 2008: $Nil and $481,666,000 respectively) of financial assets with contractual maturity over one year. They could readily be liquidated whenever liquid funds are required.

\# Amounts excluded prepayments of $14,680,000 (31 December 2008 and 1 January 2008: $16,934,000 and $17,512,000 respectively).

	HKEx				
	At 31 Dec 2009				
	Up to 1 month^ $'000	**>1 month to 3 months $'000**	**>3 months to 1 year $'000**	**>1 year to 5 years $'000**	**Total $'000**
Non-current assets					
Financial assets measured at amortised cost	**8,350**	**-**	**164**	**1,522**	**10,036**
Current assets					
Accounts receivable and deposits[Ω]	**1**	**-**	**-**	**-**	**1**
Amounts due from subsidiaries	**2,798,007**	**-**	**-**	**-**	**2,798,007**
Financial assets measured at amortised cost	**92,728**	**-**	**-**	**-**	**92,728**
Cash and cash equivalents	**27,486**	**-**	**-**	**-**	**27,486**
	2,926,572	**-**	**164**	**1,522**	**2,928,258**

50. Financial Risk Management (continued)

(b) Liquidity risk management (continued)

	HKEx				
	At 31 Dec 2008				
	Up to 1 month^	>1 month to 3 months	>3 months to 1 year	>1 year to 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Non-current assets					
Financial assets at amortised cost	-	-	49	671	720
Current assets					
Accounts receivable and depositsΩ	728	-	-	-	728
Amounts due from subsidiaries	1,839,066	-	-	-	1,839,066
Available-for-sale financial assets	8,220	-	-	-	8,220
Financial assets at amortised cost	142,167	-	-	-	142,167
Cash and cash equivalents	31,680	-	-	-	31,680
	2,021,861	-	49	671	2,022,581

	HKEx				
	At 1 Jan 2008				
	Up to 1 month^	>1 month to 3 months	>3 months to 1 year	>1 year to 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Non-current assets					
Financial assets at amortised cost	-	-	121	360	481
Current assets					
Accounts receivable and depositsΩ	113	-	-	-	113
Amounts due from subsidiaries	1,171,921	-	-	-	1,171,921
Financial assets at amortised cost	46,880	-	-	-	46,880
Cash and cash equivalents	20,184	-	-	-	20,184
	1,239,098	-	121	360	1,239,579

^ Amounts included $8,021,000 (31 December 2008 and 1 January 2008: $Nil) of financial assets with contractual maturity over one year. They could readily be liquidated whenever liquid funds are required.

Ω Amounts excluded prepayments of $14,574,000 (31 December 2008 and 1 January 2008: $16,706,000 and $17,023,000 respectively).

In addition, banking facilities have been put in place for contingency purposes. As at 31 December 2009, the Group's total available banking facilities amounted to $9,050 million (31 December 2008 and 1 January 2008: $3,850 million and $3,058 million respectively), of which $9,000 million (31 December 2008 and 1 January 2008: $3,000 million) were repurchase facilities. As at 31 December 2009, 31 December 2008 and 1 January 2008, the repurchase facilities had not been drawn down.

The table below analyses the Group's and HKEx's non-derivative financial liabilities and net-settled derivative financial liabilities as at 31 December into relevant maturity buckets based on their contractual maturity dates. Derivative financial liabilities are included in the analysis where their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

50. Financial Risk Management (continued)

(b) Liquidity risk management (continued)

	Group				
	At 31 Dec 2009				
	Up to 1 month $'000	>1 month to 3 months $'000	>3 months to 1 year $'000	>1 year to 5 years $'000	Total $'000
Current liabilities					
Participants' contributions to Clearing House Funds	**546,426**	**124,500**	**51,800**	**-**	**722,726**
Margin deposits from Clearing Participants on derivatives contracts	**20,242,938**	**-**	**-**	**-**	**20,242,938**
Cash collateral from HKSCC Clearing Participants	**3,431,725**	**-**	**-**	**-**	**3,431,725**
Accounts payable, accruals and other liabilities	**11,719,491**	**2,671**	**104,309**	**540**	**11,827,011**
Other financial liabilities:					
Other financial liabilities of Clearing House Funds	**19,991**	**50**	**150**	**-**	**20,191**
Other financial liabilities of Corporate Funds:					
Financial liabilities at fair value through profit or loss (derivative financial liabilities – futures contracts)	**-**	**42**	**-**	**-**	**42**
Financial guarantee contract (maximum amount guaranteed) (note 45(a)(ii))	**92,400**	**-**	**-**	**-**	**92,400**
	36,052,971	**127,263**	**156,259**	**540**	**36,337,033**
Non-current liabilities					
Participants' contributions to Clearing House Funds	**-**	**-**	**-**	**276,000**	**276,000**
Total	**36,052,971**	**127,263**	**156,259**	**276,540**	**36,613,033**

50. Financial Risk Management (continued)

(b) Liquidity risk management (continued)

	Group				
	As restated At 31 Dec 2008				
	Up to 1 month $'000	>1 month to 3 months $'000	>3 months to 1 year $'000	>1 year to 5 years $'000	Total $'000
Current liabilities					
Participants' contributions to Clearing House Funds	52,570	101,500	43,450	-	197,520
Margin deposits from Clearing Participants on derivatives contracts	41,839,991	-	-	-	41,839,991
Cash collateral from HKSCC Clearing Participants	3,599,902	-	-	-	3,599,902
Accounts payable, accruals and other liabilities	8,781,555	4,499	107,508	540	8,894,102
Other financial liabilities:					
Other financial liabilities of Clearing House Funds	64,778	150	7,391	-	72,319
Other financial liabilities of Margin Funds on derivatives contracts	3	-	-	-	3
Other financial liabilities of Corporate Funds:					
Financial liabilities at fair value through profit or loss (derivative financial liabilities – futures contracts)	627	-	-	-	627
Financial guarantee contract (maximum amount guaranteed) (note 45(a)(ii))	89,600	-	-	-	89,600
	54,429,026	106,149	158,349	540	54,694,064
Non-current liabilities					
Participants' contributions to Clearing House Funds	-	-	-	252,000	252,000
Total	54,429,026	106,149	158,349	252,540	54,946,064

50. Financial Risk Management (continued)

(b) Liquidity risk management (continued)

	Group				
	As restated At 1 Jan 2008				
	Up to 1 month $'000	>1 month to 3 months $'000	>3 months to 1 year $'000	> 1 year to 5 years $'000	Total $'000
Current liabilities					
Participants' contributions to Clearing House Funds	1,116,555	93,500	42,300	-	1,252,355
Margin deposits from Clearing Participants on derivatives contracts	55,428,888	-	-	-	55,428,888
Cash collateral from HKSCC Clearing Participants	2,719,588	-	-	-	2,719,588
Accounts payable, accruals and other liabilities	18,633,361	3,354	105,206	-	18,741,921
Other financial liabilities:					
Other financial liabilities of Clearing House Funds	9,700	-	1,110	-	10,810
Other financial liabilities of Margin Funds on derivatives contracts	271	-	-	-	271
Other financial liabilities of Corporate Funds:					
Financial guarantee contract (maximum amount guaranteed) (note 45(a)(ii))	87,800	-	-	-	87,800
	77,996,163	96,854	148,616	-	78,241,633
Non-current liabilities					
Participants' contributions to Clearing House Funds	-	-	-	244,500	244,500
Total	77,996,163	96,854	148,616	244,500	78,486,133

	HKEx			
	At 31 Dec 2009			
	Up to 1 month $'000	**>1 month to 3 months $'000**	**>3 months to 1 year $'000**	**Total $'000**
Current liabilities				
Accounts payable, accruals and other liabilities	**174,899**	**1,847**	**3,588**	**180,334**
Amounts due to subsidiaries	**483,565**	**-**	**-**	**483,565**
Other financial liabilities:				
Other financial liabilities of Corporate Funds:				
Financial guarantee contract (maximum amount guaranteed) (note 45(b)(i))	**50,000**	**-**	**-**	**50,000**
Total	**708,464**	**1,847**	**3,588**	**713,899**

50. Financial Risk Management (continued)

(b) Liquidity risk management (continued)

	HKEx As restated At 31 Dec 2008			
	Up to 1 month $'000	>1 month to 3 months $'000	>3 months to 1 year $'000	Total $'000
Current liabilities				
Accounts payable, accruals and other liabilities	168,765	2,988	3,458	175,211
Amounts due to subsidiaries	32,269	-	-	32,269
Other financial liabilities:				
Other financial liabilities of Corporate Funds:				
Financial guarantee contract (maximum amount guaranteed) (note 45(b)(i))	50,000	-	-	50,000
Total	251,034	2,988	3,458	257,480

	HKEx As restated At 1 Jan 2008			
	Up to 1 month $'000	>1 month to 3 months $'000	>3 months to 1 year $'000	Total $'000
Current liabilities				
Accounts payable, accruals and other liabilities	165,213	1,813	18	167,044
Amounts due to subsidiaries	522,218	-	-	522,218
Other financial liabilities:				
Other financial liabilities of Corporate Funds:				
Financial guarantee contract (maximum amount guaranteed) (note 45(b)(i))	50,000	-	-	50,000
Total	737,431	1,813	18	739,262

As at 31 December 2009, the maximum gross nominal value of outstanding forward foreign exchange contracts held by the Group was $3,405,465,000 (31 December 2008 and 1 January 2008: $3,219,344,000 and $2,926,473,000 respectively). The table below analyses the Group's outstanding forward foreign exchange contracts as at 31 December (which include all contracts regardless of whether they had gains or losses at the year end) that would be settled on a gross basis into relevant maturity buckets based on their contractual maturity dates. The amounts disclosed in the table are contractual undiscounted cash flows, which are different from the carrying amounts (ie, fair values) in the consolidated statement of financial position.

	Group								
	At 31 Dec 2009			At 31 Dec 2008			At 1 Jan 2008		
	Up to 1 month $'000	**>1 month to 3 months $'000**	**Total $'000**	Up to 1 month $'000	>1 month to 3 months $'000	Total $'000	Up to 1 month $'000	>1 month to 3 months $'000	Total $'000
Forward foreign exchange contracts									
- outflows	**2,048,621**	**1,341,746**	**3,390,367**	2,343,600	875,744	3,219,344	2,078,860	847,613	2,926,473
- inflows	**2,050,064**	**1,355,401**	**3,405,465**	2,336,746	875,720	3,212,466	2,076,152	847,685	2,923,837

50. Financial Risk Management (continued)

(c) Credit risk management

(i) Investment and accounts receivable-related risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's investments and trade receivables. Impairment provisions are made for losses that have been incurred at the end of the reporting period. The Group limits its exposure to credit risk by rigorously selecting the counterparties (ie, deposit-takers, bond issuers and debtors) and by diversification. As at 31 December 2009, the investment in debt securities for Margin Funds, Clearing House Funds and Corporate Funds held were of investment grade and had a weighted average credit rating of Aa2 (31 December 2008 and 1 January 2008: Aa2 and Aa1 respectively), and there were no financial assets whose terms were renegotiated (31 December 2008 and 1 January 2008: $Nil). 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. All investments are subject to a maximum concentration limit approved by the Board and there was no significant concentration risk to a single counterparty. The Group mitigates its exposure to risks relating to accounts receivable from its Participants by requiring the Participants to meet the Group's established financial requirements and criteria for admission as Participants.

(ii) Clearing and settlement-related risk management

In the normal course of business, the clearing houses of the Group, HKSCC, SEOCH and HKCC, act as the counterparties to eligible trades concluded on the Stock Exchange and the Futures Exchange through the novation of the obligations of the buyers and sellers. HKSCC is also responsible for the good title to the securities deposited and accepted in the CCASS depository. As a result, the Group has considerable market risk and credit risk since the Participants' ability to honour their obligations in respect of their trades and securities deposited may be adversely impacted by economic conditions affecting the Cash and Derivatives Markets. If the Participants default on their obligations on settlement or there are defects in the title of securities deposited and accepted in the CCASS depository, the Group could be exposed to potential risks not otherwise accounted for in these accounts.

The Group mitigates its exposure to risks described above by requiring the Participants to meet the Group's established financial requirements and criteria for admission as Participants, monitoring compliance with risk management measures such as position limits established by the Group and requiring Clearing Participants to deposit margins, cash collateral and contribute to the Clearing House Funds set up by HKSCC, SEOCH and HKCC. After the default of Lehman Brothers Securities Asia Limited in September 2008, HKSCC has implemented measures permitted under the CCASS Rules to require additional cash collateral from its Clearing Participants to increase the level of protection not just for HKSCC but also for the HKSCC Guarantee Fund from the risk of material loss in the event of another sizeable default. HKSCC also retains recourse against those Participants whose securities are deposited and accepted in the CCASS depository.

Position limits are imposed by HKCC and SEOCH to regulate or limit the maximum number or value of gross and net positions which can be held or controlled by the Participants based on their liquid capital. Bank guarantees may also be accepted to extend Participants' position limits. As of 31 December 2009, bank guarantees of $2,003,100,000 (31 December 2008 and 1 January 2008: $4,534,000,000 and $5,509,200,000 respectively) were accepted for such purpose.

In addition to the above, the Group had set aside $3,100 million of shareholders' funds (31 December 2008 and 1 January 2008: $3,100 million) for the purpose of strengthening the risk management regime of the clearing houses and supporting their roles as central counterparties.

50. Financial Risk Management (continued)

(c) Credit risk management (continued)

(iii) Exposure to credit risk

As at 31 December, the financial assets and financial liabilities of the Group and HKEx that were exposed to credit risk and their maximum exposure were as follows:

	Group					
	At 31 Dec 2009		At 31 Dec 2008		At 1 Jan 2008	
	Carrying amount in consolidated statement of financial position $'000	**Maximum exposure to credit risk $'000**	Carrying amount in consolidated statement of financial position $'000	Maximum exposure to credit risk $'000	Carrying amount in consolidated statement of financial position $'000	Maximum exposure to credit risk $'000
Financial assets (current and non-current)						
Financial assets at fair value through profit or loss (excluding equity securities and mutual funds)	-	-	2,854,947	2,854,947	2,672,627	2,672,627
Financial assets mandatorily measured at fair value through profit or loss (excluding equity securities and mutual funds)	**13,769,956**	**13,769,956**	-	-	-	-
Available-for-sale financial assets	-	-	19,394,095	19,394,095	20,163,519	20,163,519
Financial assets at amortised cost	-	-	3,711,184	3,711,184	3,209,910	3,209,910
Financial assets measured at amortised cost	**4,925,180**	**4,925,180**	-	-	-	-
Cash and cash equivalents	**14,738,083**	**14,738,083**	27,783,692	27,783,692	42,768,745	42,768,745
Accounts receivable and deposits #	**11,319,690**	**11,319,690**	8,518,458	8,518,458	18,349,833	18,349,833
Financial guarantee contract						
Undertaking to indemnify the Collector of Stamp Revenue (note 45(a)(ii))	**(19,909)**	**92,400**	(19,909)	89,600	(19,909)	87,800

Certain debtors were required to place cash deposits with the Group to mitigate the maximum exposure to credit risk.

50. Financial Risk Management (continued)

(c) Credit risk management (continued)

(iii) Exposure to credit risk (continued)

	HKEx					
	At 31 Dec 2009		At 31 Dec 2008		At 1 Jan 2008	
	Carrying amount in statement of financial position $'000	**Maximum exposure to credit risk $'000**	Carrying amount in statement of financial position $'000	Maximum exposure to credit risk $'000	Carrying amount in statement of financial position $'000	Maximum exposure to credit risk $'000
Financial assets (current and non-current)						
Accounts receivable and deposits	**1**	**1**	728	728	113	113
Amounts due from subsidiaries	**2,798,007**	**2,798,007**	1,839,066	1,839,066	1,171,921	1,171,921
Available-for-sale financial assets	**-**	**-**	8,220	8,220	-	-
Financial assets at amortised cost	**-**	**-**	142,887	142,887	47,361	47,361
Financial assets measured at amortised cost	**102,764**	**102,764**	-	-	-	-
Cash and cash equivalents	**27,486**	**27,486**	31,680	31,680	20,184	20,184
Financial guarantee contract						
Financial guarantee granted to HKSCC (note 45(b)(i))	**(11,390)**	**50,000**	(11,390)	50,000	(11,390)	50,000

(iv) Financial assets that were past due but not impaired

As at 31 December, the age analysis of the financial assets (which only relate to trade receivables) of the Group that were past due but not determined to be impaired according to the period past due was as follows:

	Group		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Up to six months	**294,873**	206,847	271,196
Over six months to one year	**-**	-	1
Over one year to three years	**-**	-	2
Over three years	**141**	141	8,651
Total	**295,014**	206,988	279,850

The fair value of cash deposits placed by the related trade debtors with the Group was $11,817,000 (31 December 2008 and 1 January 2008: $10,117,000 and $12,643,000 respectively).

No financial assets of HKEx were past due as at 31 December 2009, 31 December 2008 and 1 January 2008.

50. Financial Risk Management (continued)

(c) Credit risk management (continued)

(v) Financial assets that were impaired at the end of the reporting period

As at 31 December 2009, trade receivables of the Group amounting to $164,047,000 (31 December 2008 and 1 January 2008: $167,449,000 and $4,608,000 respectively) were determined to be impaired and full provision had been made. These receivables were outstanding for over 180 days as at the end of the reporting period or were due from companies with financial difficulties. The factors the Group considered in determining whether the financial assets were impaired are disclosed in note 2(q)(vi). No cash deposits had been received in relation to the impaired trade receivables (31 December 2008 and 1 January 2008: $Nil).

No financial assets of HKEx were impaired as at 31 December 2009, 31 December 2008 and 1 January 2008.

(vi) Outstanding balances from debtors which were not recognised as income

As soon as a trade receivable becomes impaired, the Group may continue to allow the debtors concerned to participate in its markets but no further accounts receivable will be recognised in the consolidated statement of financial position as economic benefits may not flow to the Group. The revenue concerned is not recognised but tracked as doubtful deferred revenue and will only be recognised as income when cash is received. As at 31 December 2009, the amount of doubtful deferred revenue amounted to $45,264,000 (31 December 2008 and 1 January 2008: $49,455,000 and $48,955,000 respectively).

As at 31 December 2009, the amount of doubtful deferred revenue of HKEx was $Nil (31 December 2008 and 1 January 2008: $Nil).

(d) Fair values of financial assets and financial liabilities

(i) Financial assets and financial liabilities carried at fair value

The following table presents the carrying value of financial assets and financial liabilities measured at fair value as at 31 December 2009 according to the levels of the fair value hierarchy defined in HKFRS 7: Financial Instruments: Disclosures, with the fair value of each financial asset and financial liability categorised based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

50. Financial Risk Management (continued)

(d) Fair values of financial assets and financial liabilities (continued)

(i) Financial assets and financial liabilities carried at fair value (continued)

	Group At 31 Dec 2009 Level 1 $'000	Level 2 $'000	Total $'000
Assets			
Financial assets measured at fair value through profit or loss:			
- equity securities	**179,734**	**-**	**179,734**
- debt securities	**-**	**11,646,021**	**11,646,021**
- mutual funds	**75,188**	**-**	**75,188**
- equity index futures contracts	**741**	**-**	**741**
- forward foreign exchange contracts	**17,130**	**-**	**17,130**
- bank deposits with embedded derivatives	**-**	**2,106,064**	**2,106,064**
	272,793	**13,752,085**	**14,024,878**
Liabilities			
Other financial liabilities of Corporate Funds:			
Financial liabilities at fair value through profit or loss:			
- equity index futures contracts	**42**	**-**	**42**
- forward foreign exchange contracts	**2,032**	-	**2,032**
	2,074	**-**	**2,074**

During the year, there were no transfers between instruments in Level 1 and Level 2.

In 2009, no financial assets or financial liabilities were classified under Level 3.

(ii) Fair values of financial assets and financial liabilities not reported at fair values

Summarised in the following table are the carrying amounts and fair values of financial assets and financial liabilities not presented in the Group's and HKEx's statements of financial position at their fair values. The carrying amounts of short-term receivables (eg, accounts receivable, deposits and cash and cash equivalents) and short-term payables (eg, accounts payable and other liabilities) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

	Group: Carrying amount in statement of financial position			Group: Fair value		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Financial assets						
Financial assets at amortised cost:						
- other financial assets maturing over one year *	-	47,172	19,177	-	42,465	18,076
Financial assets measured at amortised cost:						
- debt securities Ω	**1,295,912**	-	-	**1,294,329**	-	-
- other financial assets maturing over one year *	**1,099,733**	-	-	**1,087,817**	-	-
Financial liabilities						
Financial guarantee contract ^	**19,909**	19,909	19,909	**44,698**	89,600	25,412
Participants' contributions to Clearing House Funds included in non-current liabilities *	**276,000**	252,000	244,500	**274,299**	247,544	236,575

50. Financial Risk Management (continued)

(d) Fair values of financial assets and financial liabilities (continued)

(ii) Fair values of financial assets and financial liabilities not reported at fair values (continued)

	HKEx					
	Carrying amount in statement of financial position			Fair value		
	At 31 Dec 2009 $'000	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000	**At 31 Dec 2009 $'000**	At 31 Dec 2008 $'000	At 1 Jan 2008 $'000
Financial assets						
Financial assets at amortised cost:						
- other financial assets maturing over one year *	-	720	481	-	700	455
Financial assets measured at amortised cost:						
- debt securities Ω	**71,930**	-	-	**72,387**	-	-
- other financial assets maturing over one year *	**2,015**	-	-	**2,005**	-	-
Financial liabilities						
Financial guarantee contract ˆ	**11,390**	11,390	11,390	**24,187**	50,000	14,472

* The fair values are based on cash flows discounted using Hong Kong Government bond rates of a tenor similar to the contractual maturity of the respective assets/liabilities, adjusted by an estimated credit spread. Assets/liabilities without a contractual maturity date are assumed to mature exactly one year after the end of the reporting period. The discount rates used ranged from 0.62 per cent to 1.42 per cent as at 31 December 2009 (31 December 2008 and 1 January 2008: 1.80 per cent to 2.72 per cent and 3.35 per cent to 3.76 per cent respectively).

Ω The fair values are provided by the custodian of the investments, a reputable independent third party custodian bank, or by the banks from whom the investments were purchased.

ˆ The fair values are based on the fees charged by financial institutions for granting such guarantees discounted using a ten-year Hong Kong Government bond rate to perpetuity but capped at the maximum exposure of the financial guarantee. The discount rate was 2.58 per cent as at 31 December 2009 (31 December 2008 and 1 January 2008: 1.18 per cent and 3.46 per cent respectively).

51. Post Balance Sheet Events

HKEx has received approval from Hong Kong Science & Technology Parks Corporation to acquire a site in Hong Kong's Tseung Kwan O Industrial Estate and plans to construct a building to consolidate the primary data centres for all HKEx's markets and clearing houses systems, as well as certain IT development and support staff. HKEx aims to take possession of the site in the first half of this year. The tentative target period for completion of the entire project is the middle of 2013. The initial cost estimate, which covers land premium and costs for construction, facilities, office fittings, relocation and technology upgrades, is approximately $700 million over the next three years and HKEx will fund the project by its internal resources. However, the building and facility design and other details are not yet final so the cost estimate will be subject to change.