Pursuant to Chapter 38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission regulates Hong Kong Exchanges and Clearing Limited in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. The Securities and Futures Commission takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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

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

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

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

The board of directors (Board) of Hong Kong Exchanges and Clearing Limited (Company or HKEx) submits the unaudited consolidated results of HKEx and its subsidiaries (Group) for the nine months ended 30 September 2010 as follows:

FINANCIAL HIGHLIGHTS

	Nine months ended 30 Sept 2010	Nine months ended 30 Sept 2009	Change	**Three months ended 30 Sept 2010**	Three months ended 30 Sept 2009	Change
KEY MARKET STATISTICS						
Average daily turnover value on the Stock Exchange ($bn)	**63.1**	61.3	3%	**61.8**	66.7	(7%)
Average daily number of derivatives contracts traded on the Futures Exchange	**212,953**	210,503	1%	**204,094**	204,637	(0%)
Average daily number of stock options contracts traded on the Stock Exchange	**219,892**	193,147	14%	**216,830**	168,876	28%

	Nine months ended 30 Sept 2010 $m	As restated Nine months ended 30 Sept 2009 $m	Change	**Three months ended 30 Sept 2010 $m**	As restated Three months ended 30 Sept 2009 $m	Change
RESULTS						
Revenue and other income	**5,291**	5,163	2%	**1,837**	1,824	1%
Operating expenses	**1,178**	1,140	3%	**402**	380	6%
Profit before taxation	**4,113**	4,023	2%	**1,435**	1,444	(1%)
Taxation	**(635)**	(610)	4%	**(215)**	(218)	(1%)
Profit attributable to shareholders	**3,478**	3,413	2%	**1,220**	1,226	(0%)
Basic earnings per share	**$3.23**	$3.18	2%	**$1.13**	$1.14	(1%)
Diluted earnings per share	**$3.22**	$3.16	2%	**$1.13**	$1.14	(1%)

	At 30 Sept 2010	At 31 Dec 2009	Change
KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Shareholders' funds ($m)	**7,196**	8,027	(10%)
Total assets [1] ($m)	**57,239**	45,332	26%
Net assets per share [2] ($)	**6.68**	7.46	(10%)

Notes:

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

2 Based on 1,076,645,780 shares as at 30 September 2010, being 1,078,074,346 shares issued and fully paid less 1,428,566 shares held for the Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006 and 13 May 2010 (Share Award Scheme) (31 December 2009: 1,075,514,581 shares, being 1,076,190,346 shares issued and fully paid less 675,765 shares held for the Share Award Scheme)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing

Consultations on Proposed Changes to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board Listing Rules) and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (collectively, Listing Rules)

On 10 September 2010, HKEx published 2 consultation papers, namely: (i) a proposed change in the minimum number of shareholders required for applicants listing under the Market Capitalisation / Revenue Test of the Main Board Listing Rules from 1,000 to 300 shareholders; and (ii) proposals to relax the Listing Rules on notifiable and connected transactions in which property developers acquire government land through public auctions or tenders in their ordinary and usual course of business, and the Rules on the treatment of joint ventures. Both consultations will end on 12 November 2010.

Report on Listed Issuers' Corporate Governance Practices Disclosure and Review of the Code on Corporate Governance Practices (CG Code)

On 24 September 2010, HKEx published the findings of its fourth review of listed issuers' corporate governance practices, which analysed corporate governance disclosure in the 2009 annual reports of a representative sample of 132 issuers. In addition to the areas covered in the previous reviews, the fourth review also analysed issuers' practice on setting up board committees such as nomination committee, remuneration committee and corporate governance committee. The Stock Exchange of Hong Kong Limited (Exchange or Stock Exchange or SEHK) will use the results of the analysis in the current review of the CG Code. A market consultation on proposed changes to the CG Code will be conducted before the end of 2010.

Review of Other Proposals

The Exchange continues to work with the Securities and Futures Commission (SFC) on the joint consultation conclusions on the issue of paper application forms with electronic listing documents. Other policy matters under review include: (i) possible guidelines on environmental and social reporting; (ii) current property valuation requirements; (iii) requirements for listing of debt issues for professionals only; (iv) amendments to the proposed statutory backing of the continuing disclosure obligations of the Listing Rules; and (v) amendments to the Listing Rules arising from the SFC's consultations on structured products and selling practices, and reforms to the prospectus regime.

Cash Market

Market Performance

In the first nine months of 2010, 54 companies (including 7 transferred from the Growth Enterprise Market (GEM)) and 4 companies were newly listed on the Main Board and GEM respectively, and 5 Main Board and 7 GEM companies were delisted. Total capital raised reached $335.8 billion (including funds raised through initial public offerings (IPOs) of $160.4 billion). As at 30 September 2010, 1,194 and 171 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about $19,687 billion. In addition, there were 4,348 Derivative Warrants (DWs), 974 Callable Bull/Bear Contracts (CBBCs), 8 Real Estate

Investment Trusts, 66 Exchange Traded Funds (ETFs) and 160 debt securities listed as at 30 September 2010. The average daily turnover in the first nine months of 2010 was about $62.6 billion on the Main Board and about $0.5 billion on GEM.

Automation of Stamp Duty Reporting and Payment

On 20 September 2010, HKEx rolled out its Electronic Communication Platform (ECP) to enable automation of stamp duty reporting and payment. Daily stamp duty returns can be submitted through the ECP and the reported stamp duty amounts will be directly debited from the Designated Bank Account of the Exchange Participant (EP). HKEx estimates over 120,000 paper stamp duty submissions and 100,000 paper cheques will be eliminated each year as a result of the automation.

Proposed Changes to Trading Hours

On 17 September 2010, HKEx published a consultation paper to seek public views on proposed changes to the trading hours of its securities and derivatives markets. HKEx believes that extended trading hours would enhance its price discovery function for Mainland-related securities and strengthen its competitiveness in the region. The consultation ended on 29 October 2010 and the review of the responses is underway.

Trading and Clearing of Renminbi (RMB) Products

HKEx has undertaken a series of initiatives to help EPs prepare for the trading and clearing of RMB denominated products, such as offering system testing sessions and establishing a designated corner on the HKEx website with frequently asked questions and checklists for EPs' reference. HKEx will continue to work with EPs and other market participants to assist them in their preparation for RMB business.

ETF Market Development

In the third quarter of 2010, a total of 4 ETFs (3 tracking Mainland A-share indexes and 1 tracking a Greater China Region index) were newly listed. Since the end of last year, the total number of ETFs listed on the Stock Exchange has increased by 53 per cent to 66, including 24 ETFs on Mainland A-share indexes.

Derivatives Market

Market Performance

The turnover of all futures and options for the first nine months of 2010 was 80,076,390 contracts, an increase of 7 per cent against the same period in 2009. On 30 September 2010, the open interest for all futures and options was 5,727,067 contracts, up 33 per cent from that of the end of 2009.

In the third quarter of 2010, record daily volume and open interest were achieved for various products, as highlighted below.

	Record High Volume		Record High Open Interest	
Product	**Date**	**Number of Contracts**	**Date**	**Number of Contracts**
Mini Hang Seng Index Options	N/A	N/A	28 Sept 2010	13,064
Flexible Hang Seng Index Options	12 Jul 2010	2,847	9 Jul 2010	2,847
Flexible Hang Seng China Enterprises Index Options	5 Aug 2010	1,032	25 Aug 2010	1,032
Gold Futures	N/A	N/A	15 Jul 2010	301

New Options

HKEx introduced options on the iShares FTSE/Xinhua A50 China Index ETF and options on the WISE CSI 300 China Tracker for trading on 12 July 2010 and options on shares of Agricultural Bank of China on 16 July 2010, the shares' listing day. As of 30 September 2010, there were 54 stock options classes available for trading at HKEx.

Introduction of Dividend Futures

To offer exchange-traded derivatives for hedging and managing dividend exposure of index-linked products, HKEx introduced HSI Dividend Point Index Futures and the HSCEI Dividend Point Index Futures on 1 November 2010. These futures contracts, which measure the total cash dividend value of all constituent stocks of the respective underlying indexes, complement HKEx's stock index futures and options markets.

Clearing

T+2 Finality for Stock Exchange Trades

The conclusions of the consultation on T+2 finality were published on 13 August 2010. The 29 responses received were in general supportive of the proposal. Minor modifications were made to the proposed arrangement to address the respondents' concerns and comments. HKEx is working with the Hong Kong Interbank Clearing Limited (HKICL) to introduce a new interbank bulk settlement run to the Clearing House Automated Transfer System in the evening of every business day to settle the Central Clearing and Settlement System (CCASS) money transactions. The modified T+2 finality arrangement for CCASS money settlement is expected to be implemented in the third quarter of 2011.

CCASS Money Settlement in RMB

On 13 September 2010, HKEx with the support from the Hong Kong Monetary Authority and HKICL launched a settlement service for RMB transactions, which facilitates the distribution of dividends in RMB and prepares for the listing of RMB products on the Stock Exchange. At the end of September 2010, a total of 22 banks were admitted as CCASS Designated Banks to provide RMB settlement services to CCASS Participants.

Scripless Securities Market

On 21 September 2010, the Working Group which comprises representatives of the SFC, HKEx and the Federation of Share Registrars Limited issued its consultation conclusions after seeking views on the proposed operational model for implementing a scripless securities market in Hong Kong. A total of 44 responses to the consultation paper were received, and they generally supported the scripless initiative. A consultation focusing on the framework for regulating the scripless environment will be conducted in early 2011, and the first pilot run of the scripless regime is expected to commence in late 2013.

Participant Services

Participant Training and Market Education

For the nine months ended 30 September 2010, 40 courses were organised for over 600 participants from EPs to familiarise them with the operation of HKEx's trading and clearing systems and the relevant rules and procedures. HKEx also conducted 35 EP briefing sessions and

7 seminars on derivatives which had a total of over 3,400 attendees.

HKEx and 8 EPs have launched a joint promotional programme on stock options, which includes training for EPs' staff and seminars for retail investors to raise their awareness of and increase retail participation in HKEx's stock options market. The joint effort started in July 2010 and ends in December 2010. As at the end of September 2010, over 750 individuals had enrolled in the programme.

EP Recruitment

In the first nine months of 2010, 16 SEHK Participants and 12 Hong Kong Futures Exchange Limited (Futures Exchange or HKFE) Participants from the Mainland and overseas, including firms from Australia, France, Japan, Russia, Taiwan, the United Kingdom and the United States, were newly admitted.

As at the end of September 2010, there were 508 SEHK Participants and 177 HKFE Participants. For Hong Kong Securities Clearing Company Limited (HKSCC), there were 23,604 CCASS Participants, including 8 Direct Clearing Participants and 947 Investor Participants (IPs) newly admitted in the first nine months of 2010.

Market Data

Marketing Programme in the Mainland

To enhance the distribution of HKEx market data in the Mainland, a marketing programme for television distribution of real-time market data was introduced on 1 April 2010. As at the end of September 2010, licences had been granted to 2 Mainland television stations. The third application is being processed.

Discount Programme for Mainland Users of HKEx's Real-time Trading Information

The discount programme for Mainland users of HKEx's real-time securities trading information (which was due to end in December 2010) will continue with the current fees of $80 per month (retail clients) / $120 per month (corporate clients) until 31 December 2011.

Streamlining of Licensing Process

HKEx will implement a single licence regime for Information Vendors in the fourth quarter of 2010, aiming to align the contracts, policies and fees structure for its securities and derivatives market data and to consolidate the current market data licence agreements into a single licence agreement to accommodate multiple datafeed products.

Risk Management

Market Contingency Rehearsal

On 8 May 2010, HKEx joined the Market Contingency Rehearsal Exercise 2010, a cross-financial sector activity led by the Financial Services and the Treasury Bureau (FSTB) of the Government of the Hong Kong Special Administrative Region (Hong Kong Government). The exercise gave participating organisations an opportunity to test their responses to selected high impact scenarios that could potentially undermine the financial stability of Hong Kong.

Market Surveillance

Under the Memorandum of Understanding (MOU) between the SFC and HKEx on matters relating to market surveillance, HKEx referred a total of 12 cases involving possible violations of Hong Kong laws, SFC codes and/or rules and regulations relating to its markets to the SFC for its investigation during the nine months ended 30 September 2010.

Information Technology (IT)

Production Systems' Stability and Reliability

During the first nine months of 2010, all major trading, clearing and settlement and market data dissemination systems for the markets operated by HKEx remained stable and continued to perform reliably.

System Upgrade and Enhancement

HKEx continues to upgrade its systems to capture new business opportunities and achieve sustainable competitiveness. The enhancements include: (i) modification of the Automatic Order Matching and Execution System/Third Generation (AMS/3) and the Latest Generation of CCASS to support the trading and settlement of RMB in September 2010; (ii) capacity upgrade of the Hong Kong Futures Automated Trading System (HKATS) by 250 per cent to 21,000 orders per second in October 2010; (iii) increasing the stock pages update rate of the Market Data System (MDS) to 1,000 per second by late 2010; (iv) increasing the Derivatives Clearing and Settlement System capacity by about 60 per cent to handle 475,000 account positions by mid-2011; (v) increasing the AMS/3 capacity by 10 times to 30,000 orders per second and reducing the order processing latency by 16 times to 9 milliseconds by the end of 2011 (AMS/3 will be referred to as AMS/3.8 after the changes); and (vi) further upgrading MDS to MDS/3.8 for capacity alignment with the AMS/3.8 by the end of 2011.

HKEx completed the replacement and upgrade of the ageing CCASS IP Internet and CCASS middle-tier servers on 12 July 2010 to ensure the system's continued reliability, availability and serviceability.

Operational Efficiency

HKEx has implemented an enterprise risk management (ERM) software tool to support its ERM framework. In addition, it is working on the Structured Products Integrated Transaction System (SPRINTS) Automation and Enterprise Content Management (ECM) system for launch in early and mid-2011 respectively to facilitate automation of the approval process for DW and CBBC listing applications.

For operational efficiency and environmental protection, HKEx has rolled out an e-salary record system to automate salary-related payment records and workflow. HKEx is also upgrading its corporate system platform for alignment with the manufacturer's product support lifecycle and the corporate email system.

Independent Review of Market Systems

Following the completion of the review of the Derivatives Market systems in April 2010, a review of CCASS is in progress and is scheduled for completion in early 2011.

Data Centre and IT Office Consolidation

Schematic design for the Next Generation Data Centre (NGDC) is in progress and will be submitted to the Hong Kong Government for approval shortly. In order to provide room for HKEx's new strategic initiatives such as co-location and hosting services, the planned total floor area was increased from the initial plan of 13,300 square metres to about 31,400 square metres making full use of the allowable plot ratio, thereby revising the total estimated costs from $700 million to about $1 billion. The NGDC is scheduled to be completed in 2013.

Market Development

Promotion of Listing in Hong Kong

In addition to promoting listing in Hong Kong by participating in events in more than 15 cities and provinces in the Mainland, HKEx organised listing promotion events in Guangdong, Yunnan and Zhejiang during the third quarter of 2010. HKEx took the opportunity to meet with potential listing applicants, government authorities and intermediaries during those events.

Following the introduction of the new Listing Rules for mineral companies, activities were arranged to promote Hong Kong as an international fund raising centre for companies from the minerals industry. In June 2010, HKEx visited Ulaanbaatar, the capital of Mongolia, to meet with some senior ministers and local mining companies. In August and September 2010, our Chairman joined a delegation led by the Chief Executive of the Hong Kong Government for a trip to Russia to meet the country's president. Our Chairman hosted a panel discussion at a conference on listing in Hong Kong during the visit.

Efforts to attract international companies continued in the third quarter of 2010 with visits to Australia, Japan and Taiwan to meet with potential listing candidates, intermediaries and private equity firms and provide them with information on recent developments at HKEx and key advantages of listing in Hong Kong. In mid-October 2010, our Chairman visited potential issuers in France and Italy to invite them to list in Hong Kong.

Promotion of HKEx's Markets

During the period under review, our Chairman and Chief Executive attended various large-scale conferences held in Hong Kong to promote HKEx and its markets, including the CLSA Investors' Forum and Russia & CIS Investment Summit 2010. In July 2010, HKEx, the FSTB and the Invest Hong Kong organised a major finance forum in Shanghai to discuss the important issues related to China's ongoing opening up, reform and internationalisation of its financial markets.

In September 2010, HKEx received high-level delegations from Japan and Ukraine and briefed them on its markets. Moreover, on 11 October 2010, HKEx signed a MOU with GreTai Securities Market of Taiwan on cooperation and exchange of information. On 12 and 13 October 2010, HKEx took the opportunity as a co-host sponsor of the Asia Pacific Financial Information Conference held in Hong Kong to update the market about our latest developments for market data products, system upgrades and the new data centre.

Treasury

The Group's funds available for investment comprise Corporate Funds, cash collateral, Margin Funds and Clearing House Funds, totalling $38.0 billion on average for the nine months ended 30 September 2010 (30 September 2009: $41.1 billion).

As compared with 30 June 2010, the overall size of funds available for investment as at 30 September 2010 increased by 30 per cent or $10.0 billion to $43.3 billion (30 June 2010: $33.3 billion). Details of the asset allocation of the investments as at 30 September 2010 against those as at 30 June 2010 are set out below.

	Investment Fund Size $bn		Bonds *		Cash or Bank Deposits *		Global Equities	
	Sept	Jun	**Sept**	Jun	**Sept**	Jun	**Sept**	Jun
Corporate Funds	**8.8**	8.7	**60%**	60%	**36%**	37%	**4%**	3%
Cash collateral	**5.7**	3.7	**0%**	0%	**100%**	100%	**0%**	0%
Margin Funds	**25.7**	18.7	**23%**	31%	**77%**	69%	**0%**	0%
Clearing House Funds	**3.1**	2.2	**12%**	19%	**88%**	81%	**0%**	0%
Total	**43.3**	33.3	**27%**	34%	**72%**	65%	**1%**	1%

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

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the cash collateral, Clearing House Funds and Margin Funds. Excluding equities and mutual funds held under the Corporate Funds ($0.4 billion as at 30 September 2010 and $0.2 billion as at 30 June 2010), which have no maturity date, the maturity profiles of the remaining investments as at 30 September 2010 ($42.9 billion) and 30 June 2010 ($33.1 billion) were as follows:

	Investment Fund Size $bn		Overnight		>Overnight to 1 month		>1 month to 1 year		>1 year to 3 years		> 3 years	
	Sept	Jun	**Sept**	Jun	**Sept**	Jun	**Sept**	Jun	**Sept**	Jun	**Sept**	Jun
Corporate Funds	**8.4**	8.5	**17%**	14%	**11%**	1%	**22%**	32%	**37%**	39%	**13%**	14%
Cash collateral	**5.7**	3.7	**100%**	100%	**0%**	0%	**0%**	0%	**0%**	0%	**0%**	0%
Margin Funds	**25.7**	18.7	**23%**	22%	**24%**	21%	**34%**	30%	**19%**	27%	**0%**	0%
Clearing House Funds	**3.1**	2.2	**76%**	73%	**12%**	8%	**0%**	0%	**12%**	19%	**0%**	0%
Total	**42.9**	33.1	**36%**	32%	**17%**	12%	**24%**	25%	**20%**	27%	**3%**	4%

Credit exposure is well diversified. The Group's bond portfolio (which includes certain principal-guaranteed structured notes) held is of investment grade and, as at 30 September 2010, had a weighted average credit rating of Aa2 (30 June 2010: Aa2) and a weighted average maturity of 2.1 years (30 June 2010: 2.2 years). Deposits (which include certain principal-guaranteed structured deposits) are placed only with the note-issuing banks in Hong Kong, investment grade licensed banks and restricted licence banks approved by the Board from time to time.

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

	Average VaR $m		Highest VaR $m		Lowest VaR $m	
	Jul-Sept	Apr-Jun	**Jul-Sept**	Apr-Jun	**Jul-Sept**	Apr-Jun
Corporate Funds	**18.4**	16.5	**20.4**	18.6	**16.9**	15.3
Cash collateral	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
Margin Funds	**8.9**	13.9	**10.2**	17.7	**7.7**	10.5
Clearing House Funds	**2.0**	1.5	**2.3**	2.4	**1.6**	1.1

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

FINANCIAL REVIEW

Overall Performance

	Note	**Nine months ended 30 Sept 2010 $m**	As restated Nine months ended 30 Sept 2009 $m	Change
RESULTS				
Revenue and other income:				
Income affected by market turnover	(A)	**3,488**	3,407	2%
Stock Exchange listing fees	(B)	**657**	514	28%
Market data fees	(C)	**495**	513	(4%)
Other revenue	(D)	**319**	277	15%
Net investment income	(E)	**332**	452	(27%)
		5,291	5,163	2%
Operating expenses		**1,178**	1,140	3%
Profit before taxation		**4,113**	4,023	2%
Taxation		**(635)**	(610)	4%
Profit attributable to shareholders		**3,478**	3,413	2%

The Group recorded a profit attributable to shareholders of $3,478 million for the first nine months of 2010 (first quarter: $1,127 million; second quarter: $1,131 million; third quarter: $1,220 million) compared with $3,413 million for the same period in 2009 (2009 first quarter: $834 million; second quarter: $1,353 million; third quarter: $1,226 million).

The rise in profit for the nine months ended 30 September 2010 against that for 2009 was primarily attributable to the increase in Stock Exchange listing fees and the higher turnover-related income resulting from the increase in activity in the Cash Market, but was partly offset by the drop in net investment income on account of lower net interest income earned in 2010.

Total operating expenses rose during the period mainly due to higher staff costs and IT and computer maintenance expenses but were partly offset by a decrease in premises expenses.

Revenue and Other Income

(A) Income Affected by Market Turnover

	Nine months ended 30 Sept 2010 $m	Nine months ended 30 Sept 2009 $m	Change
Trading fees and trading tariff	**1,942**	1,914	1%
Clearing and settlement fees	**1,085**	1,044	4%
Depository, custody and nominee services fees	**461**	449	3%
Total	**3,488**	3,407	2%

The increase in trading fees and trading tariff was mainly due to the higher turnover of the Cash Market for the first nine months of 2010 against that for the corresponding period last year.

Clearing and settlement fees are derived predominantly from Cash Market transactions. The increase in clearing and settlement fees for the first nine months of 2010 was mainly due to the higher turnover of the Cash Market. Clearing and settlement fees are also affected by the volume of Settlement Instructions (SIs) and, despite being mostly ad valorem fees, are subject to a minimum and a maximum fee per transaction and therefore may not always move exactly with changes in the turnover of the Cash Market. For the first nine months of 2010, the percentage increase in clearing and settlement fees was marginally higher than that of the turnover of the Cash Market due to the higher increase in transaction value of SIs.

Depository, custody and nominee services fees rose due to the increase in dividend collection fees, stock custody fees and scrip fees, but the increase was partly offset by the decrease in stock withdrawal fees and electronic IPO (eIPO) handling fees. Other than the eIPO handling fees which are affected by the number of eIPO allotments, the other fees are generally influenced by the level of Cash Market activity but do not move proportionately with changes in the turnover of the Cash Market as they vary mostly with the number of board lots rather than the value or turnover of the securities concerned, and many are subject to a maximum fee. Moreover, scrip fees are only chargeable on the net increase in individual Participants' aggregate holdings of the securities between book closing dates, and thus are unusually large on the first book closing date after a new listing.

Key Market Indicators

	Nine months ended 30 Sept 2010	Nine months ended 30 Sept 2009	Change
Average daily turnover value on the Stock Exchange ($bn)	**63.1**	61.3	3%
Average daily number of derivatives contracts traded on the Futures Exchange	**212,953**	210,503	1%
Average daily number of stock options contracts traded on the Stock Exchange	**219,892**	193,147	14%

(B) Stock Exchange Listing Fees

	Nine months ended 30 Sept 2010 $m	Nine months ended 30 Sept 2009 $m	Change
Annual listing fees	**295**	268	10%
Initial and subsequent issue listing fees	**359**	242	48%
Others	**3**	4	(25%)
Total	**657**	514	28%

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

Key Drivers for Annual Listing Fees

	At 30 Sept 2010	At 30 Sept 2009	Change
Number of companies listed on Main Board	**1,194**	1,114	7%
Number of companies listed on GEM	**171**	172	(1%)
Total	**1,365**	1,286	6%

Key Drivers for Initial and Subsequent Issue Listing Fees

	Nine months ended 30 Sept 2010	Nine months ended 30 Sept 2009	Change
Number of newly listed DWs	**5,123**	2,728	88%
Number of newly listed CBBCs	**4,728**	6,018	(21%)
Number of newly listed companies on Main Board	**54**	31	74%
Number of newly listed companies on GEM	**4**	2	100%
Total equity funds raised on Main Board			
– through IPOs ($bn)	**160.2**	63.0	154%
– Post-IPO ($bn)	**167.8**	299.2	(44%)
Total equity funds raised on GEM			
– through IPOs ($bn)	**0.2**	0.1	100%
– Post-IPO ($bn)	**7.6**	2.5	204%

(C) Market Data Fees

	Nine months ended 30 Sept 2010 $m	Nine months ended 30 Sept 2009 $m	Change
Market data fees	**495**	513	(4%)

Despite an increase in the average daily turnover of the Cash Market in the first nine months of 2010, market data fees decreased as certain fees charged on a per quote basis dropped.

(D) Other Revenue

	Nine months ended 30 Sept 2010 $m	Nine months ended 30 Sept 2009 $m	Change
Network, terminal user, dataline and software sub-license fees	**252**	209	21%
Participants' subscription and application fees	**26**	26	0%
Trading booth user fees	**12**	11	9%
Sales of Trading Rights	**7**	9	(22%)
Miscellaneous revenue	**22**	22	0%
Total	**319**	277	15%

In line with improved market activities, network, terminal user, dataline and software sub-license fees rose mainly due to an increase in sales of additional throttle and higher AMS/3 line rental income.

(E) Net Investment Income

	Nine months ended 30 Sept 2010 $m	As restated Nine months ended 30 Sept 2009 $m	Change
Gross investment income	**335**	455	(26%)
Interest rebates to Participants	**(3)**	(3)	0%
Net investment income	**332**	452	(27%)

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

	Nine months ended 30 Sept 2010 $bn	Nine months ended 30 Sept 2009 $bn	Change
Corporate Funds	**9.1**	7.9	15%
Cash collateral	**3.6**	3.2	13%
Margin Funds	**23.0**	28.7	(20%)
Clearing House Funds	**2.3**	1.3	77%
Total	**38.0**	41.1	(8%)

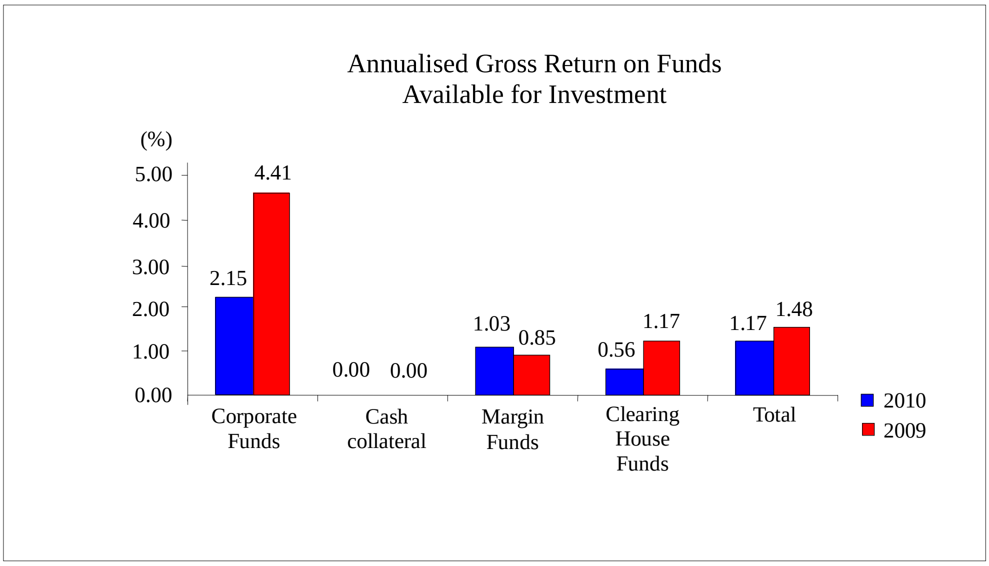
The average amount of Corporate Funds increased because 10 per cent of the profit is retained under the current dividend payout policy. In addition, the profit generated in the second half of 2009 was higher than that in the corresponding period of the previous year, and the dividend relating to which was not distributed until May 2010.

The significant drop in the average amount of Margin Funds available for investment during the period was primarily caused by the lower margin rate required per contract.

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

The lower net investment income was primarily attributable to the decrease in net interest income due to lower Margin Funds size and interest rates during the first nine months of 2010 as compared to the corresponding period in 2009, but was partly offset by the increase in fair value gains including interest of investments that were measured at fair value, reflecting market movements.

The annualised gross return on funds available for investment during the first nine months is set out below.



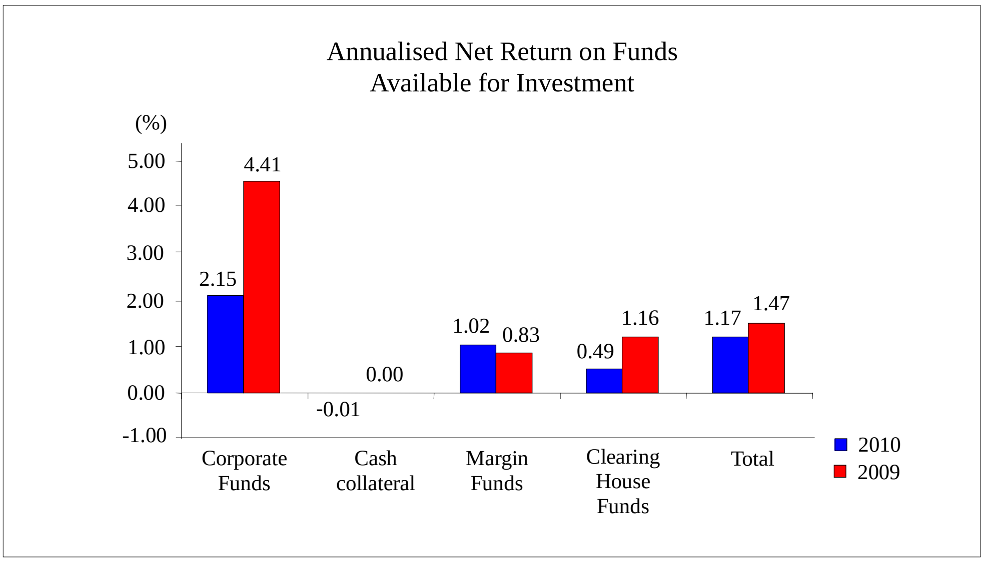
The decrease in gross return of Corporate Funds was mainly attributable to the drop in net realised and unrealised fair value gains of investments that were measured at fair value (including certain principal-guaranteed structured notes and principal-guaranteed structured deposits) during the nine months ended 30 September 2010.

The increase in gross return of Margin Funds was due to the higher net realised and unrealised fair value gains including interest of the investments that were measured at fair value (including certain principal-guaranteed structured notes and principal-guaranteed structured deposits) during the nine months ended 30 September 2010.

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

The decrease in gross return of the Clearing House Funds was mainly attributable to the drop in interest rates.

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



The net returns of all the funds in 2010 and 2009 were similar to their gross returns as very little interest rebates were paid to Participants under the current almost zero interest rate environment (paid at predominantly savings rate).

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

Operating Expenses

	Nine months ended 30 Sept 2010 $m	As restated Nine months ended 30 Sept 2009 $m	Change
Staff costs and related expenses	**645**	619	4%
IT and computer maintenance expenses	**195**	182	7%
Premises expenses	**158**	166	(5%)
Product marketing and promotion expenses	**11**	9	22%
Legal and professional fees	**10**	9	11%
Depreciation	**79**	74	7%
Other operating expenses	**80**	81	(1%)
Total	**1,178**	1,140	3%

Staff costs and related expenses increased by $26 million, primarily due to the higher salary costs as a result of the salary adjustments to keep up with the market trend, and the increase in employee share-based compensation expenses arising from the new shares awarded under the Share Award Scheme (Awarded Shares) granted in 2010.

The Group's IT and computer maintenance expenses, excluding costs of services and goods directly consumed by the Participants of $89 million (2009: $77 million), were $106 million (2009: $105 million). The rise in costs of services and goods directly consumed by the Participants was caused by the increase in AMS/3 line rentals and HKATS maintenance expenses incurred by the Participants. Costs of services and goods consumed by Participants are mostly recovered from the Participants and the income is included as part of the network, terminal user, dataline and software sub-license fees under Other Revenue.

Premises expenses dropped due to the consolidation of the data centres for derivatives and cash trading at lower cost premises.

Depreciation increased due to the depreciation of leasehold improvements at the new derivatives trading data centre.

Taxation

	Nine months ended 30 Sept 2010 $m	As restated Nine months ended 30 Sept 2009 $m	Change
Taxation	**635**	610	4%

Taxation increased mainly attributable to an increase in profit before taxation, and a decrease in non-taxable investment income.

Comparison of 2010 Third Quarter Performance with 2010 Second Quarter Performance

	Three months ended 30 Sept 2010 $m	Three months ended 30 Jun 2010 $m	Change
Revenue and other income:			
Income affected by market turnover:			
Trading fees and trading tariff	**657**	632	4%
Clearing and settlement fees	**358**	362	(1%)
Depository, custody and nominee services fees	**141**	247	(43%)
	1,156	1,241	(7%)
Stock Exchange listing fees	**232**	204	14%
Market data fees	**160**	166	(4%)
Other revenue	**115**	96	20%
Net investment income	**174**	33	427%
	1,837	1,740	6%
Operating expenses	**402**	391	3%
Profit before taxation	**1,435**	1,349	6%
Taxation	**(215)**	(218)	(1%)
Profit attributable to shareholders	**1,220**	1,131	8%

Profit attributable to shareholders increased from $1,131 million in the second quarter of 2010 to $1,220 million in the third quarter. The increase in profit was mainly driven by the increase in revenue and other income, but was partly offset by the increase in operating expenses.

Despite a drop in average daily activity in the Cash and Derivatives Markets, trading fees and trading tariff increased as there were more trading days in the third quarter (64 days) as compared to the second quarter (60 days). Stock Exchange listing fees increased as there were more newly listed companies and DWs in the third quarter than in the second quarter. Depository, custody and nominee services fees dropped mainly due to seasonal fluctuations. Net investment income rose significantly mainly due to the higher fair value gains including interest of Corporate Fund and Margin Fund investments that were measured at fair value (including certain principal-guaranteed structured notes and principal-guaranteed structured deposits) in the third quarter of 2010 than in the second quarter, reflecting market movements.

Key Market Indicators

	Three months ended 30 Sept 2010	Three months ended 30 Jun 2010	Change
Average daily turnover value on the Stock Exchange ($bn)	**61.8**	62.9	(2%)
Average daily number of derivatives contracts traded on the Futures Exchange	**204,094**	223,654	(9%)
Average daily number of stock options contracts traded on the Stock Exchange	**216,830**	237,708	(9%)

Operating expenses increased by 3 per cent mainly due to the increase in staff costs attributable to the increase in performance bonus accruals on account of the improved performance of the Group in the third quarter, and the increase in employee share-based compensation expenses arising from the new Awarded Shares granted during May to July 2010.

Taxation decreased in the third quarter mainly attributable to the increase in non-taxable investment income and the reversal of prior year over-provision of profits tax, but was partly offset by the increase in taxation charge due to higher profit before taxation.

Working Capital

Working capital fell by $514 million or 9 per cent to $5,196 million as at 30 September 2010 (31 December 2009: $5,710 million). The reduction was primarily due to the payment of the 2009 final dividend of $2,251 million in May 2010 and the 2010 interim dividend of $2,034 million in September 2010, the purchase of shares for the Share Award Scheme of $96 million, but was partly offset by the profit generated during the nine months of $3,478 million, the decrease in financial assets maturing over 1 year of $308 million, proceeds from issuing shares upon the exercise of employee share options of $34 million and the increase in other working capital of $47 million.

Exposure to Fluctuations in Exchange Rates and Related Hedges

When seeking to optimise the returns on its funds available for investment, the Group may invest in non-HKD securities from time to time. Forward foreign exchange contracts have been used to hedge the currency exposure of the Group's non-HKD investments to mitigate risks arising from fluctuations in exchange rates.

As at 30 September 2010, the aggregate net open foreign currency positions amounted to HK$2,393 million, of which HK$308 million were non-USD exposures (31 December 2009: HK$3,140 million, of which HK$193 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK$3,406 million (31 December 2009: HK$3,405 million). All forward foreign exchange contracts would mature within 2 months (31 December 2009: 2 months).

Foreign currency margin deposits received by the Group are mainly hedged by investments in the same currencies, but 25 per cent of the HKD liabilities may be invested in USD deposits for a maximum maturity of 2 weeks.

Contingent Liabilities

There were no significant changes in the Group's contingent liabilities from the information disclosed in the annual report for the year ended 31 December 2009.

Changes since 31 December 2009

There were no other significant changes in the Group's financial position and from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2009.

It is the Group's plan to declare dividend only at the half-year and year-end. Therefore, no dividend will be proposed for the third quarter ended 30 September 2010 (third quarter of 2009: $Nil).

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

OPERATIONAL REVIEW

Organisational Changes

To strengthen our organisational structure to achieve the strategic goals laid down in our 2010-2012 Strategic Plan, Ms Yang Qiumei was appointed Deputy Head of Market Development Division and Head of the Mainland Development Department effective 18 October 2010. With Ms Yang's strong credentials and extensive experience in the regulation of the Mainland securities market at the China Securities Regulatory Commission, we will have an even stronger team for the further development of our Mainland-related initiatives.

In addition, with the combination of the Cash Market and Derivatives Market departments into the new Trading Division that took effect on 1 July 2010, Mr Eric Yip, the former Head of the Cash Market Department, was appointed Deputy Chief Operating Officer to focus on the implementation of certain initiatives of the 2010-2012 Strategic Plan. The new Trading Division is headed by Mr Calvin Tai, the former Head of the Derivatives Market Department.

Other changes included the appointment of Mr Bill Chow, the former Deputy Head of the Information Technology Division (ITD), and Mr Roger Lee, the former Head of Listing Operations, as the co-Heads of the ITD effective 1 September 2010 upon the retirement of Mr Alfred Wong. Mr Chow, who also succeeded as the Chief Technology Officer, is in charge of technology development for our IT infrastructure, and Mr Lee is responsible for resource management, operations, administration and governance of the ITD.

Mr Samuel Wong joined HKEx on 2 July 2010 as the Chief Financial Officer and Head of the Finance and Administration Division whilst Ms Christine Wong became the Chief Counsel and Head of the Legal Services Department on 1 August 2010.

The updated organisation chart is posted on the HKEx website.

Corporate Governance

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

As of 31 August 2010, the Global and Home Market Ratings assigned to HKEx by GovernanceMetrics International Inc, a corporate governance ratings and research firm, were 8.0 and 10.0 respectively, out of the maximum of 10.0. HKEx also received the highest ranking for its corporate governance performance amongst large-cap companies in Asia in the CG Watch 2010 published in September 2010 by CLSA Asia-Pacific Markets and the Asian Corporate Governance Association. On 1 November 2010, HKEx received the Best Report Award from the 2010 HKMA Best Annual Reports Awards organised by The Hong Kong Management Association.

As part of our commitment to best corporate governance practices, we appointed a consultant to conduct an independent evaluation of the performance of our Board and committees. The objectives of the evaluation are to assess whether the Board, the committees and their members have performed their roles effectively and fulfilled their responsibilities, and to identify areas for improvement. The evaluation is expected to be completed in about 4 months.

Corporate Social Responsibility (CSR) Development

HKEx continues to be a constituent company in the FTSE4Good Index Series and has been included in the Hang Seng Corporate Sustainability Index Series and the Dow Jones Sustainability Asia Pacific Index since 26 July 2010 and 20 September 2010 respectively.

As a responsible corporate citizen, HKEx continues to organise and support various CSR initiatives. The launch of our Employee Assistance Programme in August 2010 and our participation in the Work-Life Balance Day 2010 in October 2010 both demonstrated our dedication to improving employees' well-being. We also organised an environmental poster design competition and climate change seminars to heighten employees' awareness of environmental issues and provide pragmatic tips for protecting our environment.

To facilitate further improvement in our CSR performance, we adopted a manual in November 2010 that outlines our CSR management system with reference to ISO 14001:2004 Environmental Management Systems Standard and ISO/DIS 26000 Guidance on Social Responsibility. The new manual will provide guidance to our staff in managing the CSR impacts of our business operations and our CSR performance.

PROSPECTS

Fuelled by the recent vibrant trading activity, a surge in new listing of companies from the Mainland and overseas, and continuous growth of the Mainland and Asian economies, we remain cautiously optimistic about the further growth of our securities and derivatives markets.

Financial cooperation with the Mainland has been a key factor for the financial services industry in Hong Kong and the progressive internationalisation of RMB provides unprecedented opportunities to us. With the expansion of RMB trade settlement in Hong Kong and the permission for certain banks in the city to use RMB to invest in the Mainland's interbank bond market, the channel for capital flows between Hong Kong and the Mainland has been further improved. This will facilitate the development of Hong Kong as an offshore RMB market. At HKEx, we will continue to introduce Mainland-related products to expand our China dimension. We are also modifying our infrastructure to support the trading of RMB products in our markets.

Nonetheless, the RMB focus has not distracted us from pursuing other initiatives in our Strategic Plan 2010-2012, such as further strengthening our IT infrastructure and exploring over-the-counter clearing. Whilst we continue with our marketing efforts to attract Mainland enterprises as well as quality international companies to list in Hong Kong, we are also streamlining the listing process and encouraging good corporate governance and CSR practices at listed companies so as to reinforce the Stock Exchange's position as a quality market and international listing platform.

Globally, the potential ramifications of any sovereign liquidity problems or currency wars, concerns about the effectiveness of the fiscal measures of different governments and the elevated risk of growing asset bubbles in persistent low interest rate environments deepen the uncertainty over the world's economic performance and the outlook for financial markets. In this environment, investors will be well advised to exercise caution before making any investment decision.

Taking the opportunity as the Chairman of the World Federation of Exchanges (WFE), I would on one hand, ensure that HKEx will continue contributing to the discussion of financial market regulations and reform with other WFE members, and on the other hand, further expand WFE's cooperation with the International Organization of Securities Commissions, for a healthy evolution of the global financial markets.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	**Nine months ended 30 Sept 2010 $m**	As restated Nine months ended 30 Sept 2009 $m	**Three months ended 30 Sept 2010 $m**	As restated Three months ended 30 Sept 2009 $m
Trading fees and trading tariff		**1,942**	1,914	**657**	698
Stock Exchange listing fees		**657**	514	**232**	187
Clearing and settlement fees		**1,085**	1,044	**358**	393
Depository, custody and nominee services fees		**461**	449	**141**	130
Market data fees		**495**	513	**160**	186
Other revenue	3	**319**	277	**115**	103
REVENUE		**4,959**	4,711	**1,663**	1,697
Investment income		**335**	455	**176**	128
Interest rebates to Participants		**(3)**	(3)	**(2)**	(1)
Net investment income	4	**332**	452	**174**	127
TURNOVER	2	**5,291**	5,163	**1,837**	1,824
OPERATING EXPENSES					
Staff costs and related expenses		**645**	619	**224**	210
IT and computer maintenance expenses		**195**	182	**67**	62
Premises expenses		**158**	166	**53**	54
Product marketing and promotion expenses		**11**	9	**3**	3
Legal and professional fees		**10**	9	**4**	2
Depreciation		**79**	74	**26**	26
Other operating expenses		**80**	81	**25**	23
	2	**1,178**	1,140	**402**	380
PROFIT BEFORE TAXATION	2	**4,113**	4,023	**1,435**	1,444
TAXATION	5	**(635)**	(610)	**(215)**	(218)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**3,478**	3,413	**1,220**	1,226
Basic earnings per share	7(a)	**$3.23**	$3.18	**$1.13**	$1.14
Diluted earnings per share	7(b)	**$3.22**	$3.16	**$1.13**	$1.14

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Nine months ended 30 Sept 2010 $m	As restated Nine months ended 30 Sept 2009 $m	**Three months ended 30 Sept 2010 $m**	As restated Three months ended 30 Sept 2009 $m
Profit attributable to shareholders	**3,478**	3,413	**1,220**	1,226
Other comprehensive income:				
Available-for-sale financial assets:				
Change in fair value during the period	–	(20)	–	25
Change in fair value up to maturity	–	(90)	–	(41)
Less: Reclassification adjustment:				
Gains included in profit or loss on disposal	–	(3)	–	–
Deferred tax	–	19	–	3
Other comprehensive income attributable to shareholders, net of tax	–	(94)	–	(13)
Total comprehensive income attributable to shareholders	**3,478**	3,319	**1,220**	1,213

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	At 30 Sept 2010 Current $m	At 30 Sept 2010 Non-current $m	At 30 Sept 2010 Total $m	As restated At 31 Dec 2009 Current $m	As restated At 31 Dec 2009 Non-current $m	As restated At 31 Dec 2009 Total $m
ASSETS							
Cash and cash equivalents	8	**24,769**	**–**	**24,769**	14,738	–	14,738
Financial assets measured at fair value through profit or loss	8	**10,618**	**1,234**	**11,852**	12,466	1,559	14,025
Financial assets measured at amortised cost	8	**5,907**	**785**	**6,692**	4,157	768	4,925
Accounts receivable, prepayments and deposits	8, 9	**13,601**	**6**	**13,607**	11,334	7	11,341
Fixed assets		**–**	**293**	**293**	–	303	303
Lease premium for land		**–**	**26**	**26**	–	–	–
Total assets		**54,895**	**2,344**	**57,239**	42,695	2,637	45,332
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits from Clearing Participants on derivatives contracts		**25,665**	**–**	**25,665**	20,243	–	20,243
Cash collateral from HKSCC Clearing Participants		**5,752**	**–**	**5,752**	3,432	–	3,432
Accounts payable, accruals and other liabilities	10	**15,093**	**–**	**15,093**	11,827	–	11,827
Deferred revenue		**215**	**–**	**215**	424	–	424
Taxation payable		**688**	**–**	**688**	261	–	261
Other financial liabilities		**75**	**–**	**75**	42	–	42
Participants' contributions to Clearing House Funds		**2,183**	**295**	**2,478**	723	276	999
Provisions		**28**	**29**	**57**	33	26	59
Deferred tax liabilities		**–**	**20**	**20**	–	18	18
Total liabilities		**49,699**	**344**	**50,043**	36,985	320	37,305
Equity							
Share capital				**1,078**			1,076
Share premium				**416**			376
Shares held for Share Award Scheme				**(146)**			(52)
Employee share-based compensation reserve				**55**			43
Designated reserves				**573**			563
Retained earnings	11			**5,220**			6,021
Shareholders' funds				**7,196**			8,027
Total equity and liabilities				**57,239**			45,332
Net current assets				**5,196**			5,710
Total assets less current liabilities				**7,540**			8,347

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated accounts should be read in conjunction with the 2009 annual accounts. The accounting policies and methods of computation used in the preparation of these accounts and segment information are consistent with those used in the annual accounts and segment information for the year ended 31 December 2009.

Adoption of new/revised accounting policies in the fourth quarter of 2009

As disclosed in the 2009 annual accounts, the Group adopted Hong Kong Financial Reporting Standard (HKFRS) 9: Financial Instruments and amended its accounting policy for measurement of leasehold building in the fourth quarter of 2009. The adoption of the new standard and the amended accounting policy had the following impact on the condensed consolidated financial statements for the nine months ended 30 September 2009:

(a) certain available-for-sale financial assets with net revaluation deficits of $62 million were reclassified to financial assets measured at fair value through profit or loss under HKFRS 9. The deficit was transferred to profit or loss under net investment income and hence retained earnings;

(b) certain available-for-sale financial assets with net revaluation surpluses were reclassified to financial assets measured at amortised cost under HKFRS 9. This resulted in a $23 million reduction in revaluation reserve but did not have any impact on profit or loss. The decrease in revaluation reserve reflected the restatement of those assets from fair value to the lower amortised cost;

(c) prior to the fourth quarter of 2009, the leasehold building was measured at valuation less accumulated depreciation. In the fourth quarter of 2009, the accounting policy of leasehold building was changed to cost less accumulated depreciation and this change has been applied retrospectively. Retained earnings therefore decreased by $2 million as the accumulated depreciation charges were computed based on the cost of the leasehold building, which was higher than the valuation before the change in accounting policy; and

(d) the tax impact of the reclassification of financial assets in notes (a) and (b) above resulted in a $1 million decrease in deferred tax liability and a corresponding increase in revaluation reserve.

The impact of the above changes is summarised below:

Effects on equity as at 30 September 2009

	HKFRS 9 $m	Leasehold building $m	Total $m
Increase/(decrease) in equity			
Revaluation reserve	40	–	40
Retained earnings	(62)	(2)	(64)

Effects on condensed consolidated income statement for the nine months ended 30 September 2009 and three months ended 30 September 2009

	Nine months ended 30 Sept 2009 $m	Three months ended 30 Sept 2009 $m
Decrease in net investment income	(62)	(48)
Decrease in profit attributable to shareholders	(62)	(48)
Decrease in basic earnings per share	$(0.06)	$(0.04)
Decrease in diluted earnings per share	$(0.06)	$(0.04)

The effects on other components of the condensed consolidated income statement were less than $1 million.

Change in presentation of consolidated statement of financial position

In previous years, the Group presented current and non-current assets, and current and non-current liabilities, as separate classifications in the consolidated statement of financial position. From June 2010 onwards, the Group decided to present its assets and liabilities in order of liquidity in the consolidated statement of financial position as it provides information that better reflects the manner in which the assets and liabilities are managed in the Group's business operations, particularly following the changes made on adopting HKFRS 9, and is thus reliable and more relevant.

The comparative figures have been restated to conform with the revised presentation.

2. Operating Segments

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

The Group has 4 reportable segments. The segments are managed separately as each business offers different products and services and requires different IT systems and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

The **Cash Market** business mainly refers to the operations of the Stock Exchange, which covers all products traded on the Cash Market platforms, such as equities, CBBCs and DWs. Currently, the Group operates 2 Cash Market platforms, the Main Board and the GEM. The major sources of income of the business are trading fees, trading tariff and listing fees. Results of the Listing Function are included in the Cash Market.

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

The **Clearing Business** refers to the operations of the 3 clearing houses, namely HKSCC, The SEHK Options Clearing House Limited and HKFE Clearing Corporation Limited, 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 fees from providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Clearing House Funds.

The **Market Data (**formerly 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 market data fees of the Cash Market and Derivatives Market.

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

	Nine months ended 30 Sept 2010					
	Cash Market $m	**Derivatives Market $m**	**Clearing Business $m**	**Market Data $m**	**Inter-segment elimination (note (a)) $m**	**Group $m**
Income from external customers	**2,282**	**536**	**1,644**	**497**	**–**	**4,959**
Net investment income	**82**	**204**	**55**	**–**	**(9)**	**332**
	2,364	**740**	**1,699**	**497**	**(9)**	**5,291**
Operating expenses						
Direct costs	**464**	**119**	**248**	**45**	**(9)**	**867**
Indirect costs	**153**	**42**	**94**	**22**	**–**	**311**
	617	**161**	**342**	**67**	**(9)**	**1,178**
Reportable segment profit before taxation	**1,747**	**579**	**1,357**	**430**	**–**	**4,113**

	Cash Market $m	Derivatives Market $m	Clearing Business $m	Market Data $m	Inter-segment elimination (note (a)) $m	Group $m
	As restated Nine months ended 30 Sept 2009					
Income from external customers	2,072	540	1,586	513	–	4,711
Net investment income	108	204	147	1	(8)	452
	2,180	744	1,733	514	(8)	5,163
Operating expenses						
Direct costs	459	121	258	38	(8)	868
Indirect costs	129	39	85	19	–	272
	588	160	343	57	(8)	1,140
Reportable segment profit before taxation	1,592	584	1,390	457	–	4,023

(a) 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.

3. Other Revenue

	Nine months ended 30 Sept 2010 $m	Nine months ended 30 Sept 2009 $m	**Three months ended 30 Sept 2010 $m**	Three months ended 30 Sept 2009 $m
Network, terminal user, dataline and software sub-license fees	**252**	209	**89**	79
Participants' subscription and application fees	**26**	26	**9**	8
Trading booth user fees	**12**	11	**4**	4
Sales of Trading Rights	**7**	9	**3**	2
Miscellaneous revenue	**22**	22	**10**	10
	319	277	**115**	103

4. Net Investment Income

	Nine months ended 30 Sept 2010 $m	As restated Nine months ended 30 Sept 2009 $m	**Three months ended 30 Sept 2010 $m**	As restated Three months ended 30 Sept 2009 $m
Gross interest income	**89**	262	**40**	56
Interest rebates to Participants	**(3)**	(3)	**(2)**	(1)
Net interest income	**86**	259	**38**	55
Net realised and unrealised gains including 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	**245**	191	**135**	71
Realised gains on disposal of available-for-sale financial assets	**–**	2	**–**	–
Realised losses on disposal of financial assets measured at amortised cost	**(4)**	–	**–**	–
Dividend income from financial assets measured at fair value through profit or loss and financial assets at fair value through profit or loss	**4**	2	**1**	1
Other exchange differences	**1**	(2)	**–**	–
Net investment income	**332**	452	**174**	127

5. Taxation

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

	Nine months ended 30 Sept 2010 $m	As restated Nine months ended 30 Sept 2009 $m	**Three months ended 30 Sept 2010 $m**	As restated Three months ended 30 Sept 2009 $m
Provision for Hong Kong Profits Tax at 16.5% (2009: 16.5%)	**634**	607	**210**	223
Overprovision in respect of prior years	**(2)**	(6)	**(2)**	(6)
	632	601	**208**	217
Deferred taxation	**3**	9	**7**	1
	635	610	**215**	218

6. Dividends

	Nine months ended 30 Sept 2010 $m	Nine months ended 30 Sept 2009 $m	**Three months ended 30 Sept 2010 $m**	Three months ended 30 Sept 2009 $m
Interim dividend declared of $1.89 (2009: $1.84) per share	**2,037**	1,980	**–**	–
Less: Dividend for shares held by Share Award Scheme	**(3)**	(2)	**–**	–
	2,034	1,978	**–**	–

7. Earnings Per Share

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

(a) Basic earnings per share

	Nine months ended 30 Sept 2010	As restated Nine months ended 30 Sept 2009	**Three months ended 30 Sept 2010**	As restated Three months ended 30 Sept 2009
Profit attributable to shareholders ($m)	**3,478**	3,413	**1,220**	1,226
Weighted average number of shares in issue less shares held for Share Award Scheme (in ’000)	**1,076,330**	1,074,561	**1,076,573**	1,074,984
Basic earnings per share ($)	**3.23**	3.18	**1.13**	1.14

(b) Diluted earnings per share

	Nine months ended 30 Sept 2010	As restated Nine months ended 30 Sept 2009	**Three months ended 30 Sept 2010**	As restated Three months ended 30 Sept 2009
Profit attributable to shareholders ($m)	**3,478**	3,413	**1,220**	1,226
Weighted average number of shares in issue less shares held for Share Award Scheme (in ’000)	**1,076,330**	1,074,561	**1,076,573**	1,074,984
Effect of employee share options (in ’000)	**1,874**	3,307	**1,337**	3,088
Effect of Awarded Shares (in ’000)	**837**	912	**1,233**	916
Weighted average number of shares for the purpose of calculating diluted earnings per share (in ’000)	**1,079,041**	1,078,780	**1,079,143**	1,078,988
Diluted earnings per share ($)	**3.22**	3.16	**1.13**	1.14

8. Financial Assets

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

	At 30 Sept 2010 $m	At 31 Dec 2009 $m
Clearing House Funds		
Cash and cash equivalents	**2,713**	1,280
Financial assets measured at fair value through profit or loss	**355**	410
Financial assets measured at amortised cost	**7**	51
	3,075	1,741
Margin Funds		
Cash and cash equivalents	**13,774**	8,707
Financial assets measured at fair value through profit or loss	**6,900**	8,673
Financial assets measured at amortised cost	**4,983**	2,854
Accounts receivable, prepayments and deposits	**8**	9
	25,665	20,243
	28,740	21,984

9. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's Continuous Net Settlement money obligations receivable, which accounted for 94 per cent (31 December 2009: 92 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within 2 days after the trade date. The majority of the remaining accounts receivable, prepayments and deposits were due within 3 months.

10. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's Continuous Net Settlement money obligations payable, which accounted for 85 per cent (31 December 2009: 89 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement money obligations mature within 2 days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within 3 months.

11. Retained Earnings

	2010 $m	2009 $m
At 1 Jan	**6,021**	5,241
Profit for the period/year	**3,478**	4,704
Transfer to Clearing House Funds reserves	**(10)**	(11)
Dividends:		
2009/2008 final dividend	**(2,251)**	(1,935)
2010/2009 interim dividend	**(2,034)**	(1,978)
Unclaimed dividends forfeited	**16**	4
Vesting of shares of Share Award Scheme	**–**	(4)
At 30 Sept 2010/31 Dec 2009	**5,220**	6,021
Representing:		
Retained earnings	**5,220**	3,773
Proposed final dividend	**–**	2,248
At 30 Sept 2010/31 Dec 2009	**5,220**	6,021

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2010 in conjunction with HKEx's external auditor.

Management has appointed the external auditor to carry out certain agreed-upon procedures in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants on the unaudited condensed consolidated financial statements for the nine months ended 30 September 2010.

PURCHASE, SALE OR REDEMPTION OF HKEx'S LISTED SECURITIES

During the nine months ended 30 September 2010, neither HKEx nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Exchange a total of 779,300 HKEx shares at a consideration of about $96 million.

PUBLICATION OF RESULTS AND QUARTERLY REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

The results announcement is published on the HKExnews website at www.hkexnews.hk and the HKEx website at www.hkex.com.hk/eng/exchange/invest/results/2010Results.htm. The Quarterly Report for the nine months ended 30 September 2010 will be available on the HKExnews and HKEx websites and despatched to Shareholders on or about Wednesday, 24 November 2010.

BOARD OF DIRECTORS

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

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

Hong Kong, 10 November 2010