



Financial Review of the Securities Industry (for the half year ended 30 June 2009)

The first half of 2009 saw a 48% increase in total net profit for all securities dealers and securities margin financiers¹ compared to the preceding six months. The sharp increase in net profit was mainly attributed to increases in the net profit on proprietary trading and other income²



Table 1 Statistical information and financial position of securities dealers and securities margin financiers (cont'd)

	30/6/2009	31/12/2008
Balance sheet (\$ million) (Cont'd)		
Amounts payable to clients and other dealers arising from dealing in securities	295,109	211,565
Total borrowings from financial institutions	76,569	37,015
Short positions held for own account	20,427	11,186
Other liabilities	161,678	156,661
Total shareholders' funds ^e	182,741	174,347
Total liabilities and shareholders' funds (+25%)	736,524	590,774
	6 months to 30/6/2009	6 months to 31/12/2008
Profit and loss (\$ million)		
Total value of transactions ^f	20,921,095	22,719,272
Net securities commission income	14,596	17,714
Gross interest income	1,709	3,952
Other income ^g	29,288	21,083
Net profit on proprietary trading	7,055	2,129
Total income (+17%)	52,648	44,878
Total overheads and interest expense (+14%)	46,074	40,425
Net profit for the period (+48%)	6,574	4,453

Remarks:

- a Figures reported by an overseas incorporated licensed corporation that carries out its principal business activities outside Hong Kong and operates in Hong Kong as a branch office were excluded from the above figures.
- b Active clients are clients for whom the licensed corporation is required to prepare and deliver monthly statements of account in respect of the relevant reporting month in accordance with the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.
- c Cash in hand and at bank includes trust monies held on behalf of clients and totalled \$106,687 million (31/12/2008: \$89,932 million).
- d Average collateral coverage represents the number of times the aggregate market value of securities collateral deposited by clients covers the amounts receivable from margin clients on a given date on an industry-wide basis:

<u>As at 30/6/2009</u>	<u>As at 31/12/2008</u>
5.3 times	4.4 times

- e The value of shareholders' funds includes the value of redeemable shares.
- f The total value of transactions represents the sum of turnover of each licensed corporation in equities, bonds and other securities in Hong Kong and overseas.
- g Other income mainly comprises inter-company management fee income, fund management income, corporate finance income and sundry income.

Sources: Monthly Financial Returns submitted in accordance with the Securities and Futures (Financial Resources) Rules by licensed corporations licensed for dealing in securities or securities margin financing.



Table 2 Financial performance of each of the categories