Intermediaries Supervision Department¹ **February 2007**

Summary

The securities industry experienced a year of robust growth in 2006 with Hang Seng Index and market turnover reached record high. Overall profitability of the industry increased significantly by 124% as compared to 2005.

Overview of the Securities Industry in 2006

- The Hong Kong stock market experienced significant upsurge in 2006. The average SEHK daily turnover of 2006 soared by 85% to \$33.9 billion during 2006 as compared to 2005. Hang Seng Index, closing at 19,965 at the end of 2006,
- recorded a 34% increase compared to the level at the end of 2005.
- 2. Table 1 summarizes the securities industry's statistical information and financial highlights for the year of 2006.

Table 1 – Statistical Information and Financial Position of the Hong Kong Securities Industry ¹			
As at	31/12/2006	31/12/2005	
Total number of securities dealers & securities margin financiers	641	647	
Total number of active cash clients ²	730,356	650,899	
Total number of active margin clients ²	80,348	72,290	
Balance Sheet (HK\$ mn)			
Cash in hand and at bank ³	150,573	106,798	
Amounts receivable from margin clients ⁴	20,591	14,639	
Amounts receivable from clients and other dealers arising from dealing in securities	160,604	102,72	
Proprietary positions	114,788	96,892	
Other assets	171,520	118,124	
Total assets (+41%)	618,076	439,17	
Amounts payable to clients and other dealers arising from dealing in securities	244,766	155,23°	
Total borrowings from financial institutions	118,484	102,17	
Short positions held for own account	62,714	34,480	
Other liabilities	85,196	67,09	
Total shareholders' fund ⁵ (+33%)	106,916	80,19	
Total liabilities and shareholders' fund	618,076	439,17	
	12 months to	12 months to	
	31/12/2006	31/12/2005	
Profit and loss (HK\$ mn)			
Total value of transactions ⁶ (+51%)	30,754,491	20,367,924	
Net securities commission income (+59%)	29,456	18,53	
Gross interest income (+141%)	10,903	4,52	
Other income ⁷ (+64%)	53,784	32,81	
Net profit on proprietary trading (+65%)	2,733	1,65	
Total overheads and interest expense (+55%)	(71,855)	(46,378	
Net profit for the period (+124%)	25,021	11,14	

Remarks

The above data were extracted from the 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. Figures reported by an overseas incorporated licensed corporation which carries out its principal business activities outside Hong Kong and operates in Hong Kong as a branch office were excluded from the above figures.

Active clients are clients for whom the licensed corporation is required to prepare and deliver monthly statement of accounts in respect of the relevant reporting month in accordance with Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.

¹ The objective of this paper is to provide summary financial data so that those who are interested can use these data for benchmarking, research analysis or other purposes. Observations made in this review should not be taken as definitive market commentaries.