

## Activity and market data

Table 1 Number of authorised investment products

	As at 31/03/2008	As at 31/03/2007
Unit trusts and mutual funds	2,123	1,980
Investment-linked assurance schemes	229	201
Pooled retirement funds	36	37
MPF master trust schemes	38	38
MPF pooled investment funds <sup>1</sup>	298	287
Others <sup>2</sup>	157	143
<b>Total</b>	<b>2,881</b>	<b>2,686</b>

<sup>1</sup> 129 funds included in this category were offered both as retail unit trusts as well as pooled investment funds for MPF purposes.

<sup>2</sup> Other schemes comprised 137 investment-linked deposits, 13 paper gold schemes and seven REITs. The market for investment-linked deposits continued to expand and there was a 10% increase in the number of authorised schemes from a year ago.

Table 2 Authorised unit trusts and mutual funds as at 31 March 2008 – breakdown by type

	Number	%	Total NAV <sup>1</sup> (US\$ million)	%
Bond	342	17.43	224,116 <sup>2</sup>	20.81
Equity	1,042	53.11	637,641 <sup>2</sup>	59.20
Diversified	157	8.00	85,690	7.95
Money market	46	2.34	79,882	7.42
Fund of funds	112	5.71	8,326	0.77
Index	48	2.45	28,536	2.65
Guaranteed	193	9.84	6,375	0.59
Hedge	12	0.61	1,732	0.16
Other specialised <sup>3</sup>	10	0.51	4,862	0.45
	1,962	100.00	1,077,160	100.00
Umbrella structures	161			
<b>No. of authorised funds</b>	<b>2,123</b>			

<sup>1</sup> Net Asset Value as at 31 December 2007

<sup>2</sup> Standard equity and bond funds still comprised the bulk of the funds population, with a growth in aggregate asset size of 25% and 22% respectively.

<sup>3</sup> Includes Futures and Options Funds and Leveraged Funds

Table 3 Authorised unit trusts and mutual funds as at 31 March 2008 – breakdown by origin

	Umbrella funds	Sub-funds	Single funds	Total	%	Total NAV <sup>1</sup> (US\$ million)	%
Hong Kong	19	62	28	109	5.13	18,564	1.72
Luxembourg	54	1,105	4	1,163	54.78	710,852	65.99
Ireland	39	296	3	338	15.92	238,034	22.10
Guernsey	3	33	1	37	1.74	8,366	0.78
United Kingdom	3	42	5	50	2.36	58,088	5.39
Other Europe	0	0	7	7	0.33	3,503	0.33
Bermuda	1	21	5	27	1.27	4,113	0.38
British Virgin Islands	4	8	9	21	0.99	5,106	0.48
Cayman Islands	38	265	63	366	17.24	25,777	2.39
Others	0	0	5	5	0.24	4,757	0.44
<b>No. of authorised funds</b>	<b>161</b>	<b>1,832</b>	<b>130</b>	<b>2,123</b>	<b>100.00</b>	<b>1,077,160</b>	<b>100.00</b>

<sup>1</sup> Net Asset Value as at 31 December 2007 (excluding "umbrella funds")

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Table 4 Number of licensees as at 31 March 2008 (31 March 2007 in brackets)

	Corporations		Representatives		Responsible Officers		Total		% Change
Stock Exchange participants	423	(411)	9,739	(8,293)	1,352	(1,241)	11,514	(9,945)	16%
Futures Exchange participants	110	(111)	377	(433)	73	(63)	560	(607)	-8%
Stock Exchange and Futures Exchange participants	32	(23)	1,830	(1,257)	160	(130)	2,022	(1,410)	43%
Non-participants	882	(787)	17,072	(14,124)	2,334	(2,067)	20,288	(16,978)	19%
<b>Grand total</b>	<b>1,447</b>	<b>(1,332)</b>	<b>29,018</b>	<b>(24,107)</b>	<b>3,919</b>	<b>(3,501)</b>	<b>34,384</b>	<b>(28,940)</b>	<b>19%</b>

Table 5 Takeovers activities

	2007-08	2006-07
<b>Codes on Takeovers and Mergers and Share Repurchases</b>		
General and partial offers under Takeovers Code	52	36
Privatisations	5	8
Whitewash waiver applications	39	23
Other applications under Takeovers Code	254	211
Off-market and general offer repurchases	3	2
Other applications under Share Repurchases Code	4	4
<b>Total</b>	<b>357</b>	<b>284</b>
<b>Executive Statements</b>		
Sanctions imposed with parties' agreement <sup>1</sup>	2	0
<b>Takeovers and Mergers Panel</b>		
Meetings for review of the Takeovers and Share Repurchases Codes	3	0
Hearings before the Panel (disciplinary and non-disciplinary)	8	4
Statements issued by the Panel <sup>2</sup>	3 <sup>3</sup>	0

<sup>1</sup> Pursuant to section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Repurchases

<sup>2</sup> Pursuant to section 16.1 of the Introduction to the Codes on Takeovers and Mergers and Share Repurchases

<sup>3</sup> Figure for 2007-08 includes one Panel Statement comprising one substantive and seven preliminary decisions of the Panel.

Table 6 Authorisations of offer and marketing documents for unlisted retail structured products<sup>1</sup>

	2007-08	2006-07
Authorisations granted under the SFO	148 <sup>2</sup>	177 <sup>3</sup>
Authorisations granted to register prospectuses under the Companies Ordinance	77 <sup>4</sup>	106 <sup>5</sup>

<sup>1</sup> Includes RMB bonds

<sup>2</sup> Includes retail ELIs with an aggregate issue size of \$222,660 million and two RMB bond offerings with an aggregate retail issue size of RMB2,000 million

<sup>3</sup> Includes retail ELIs with an aggregate issue size of \$142,736 million

<sup>4</sup> Retail structured notes with an aggregate issue size of \$10,772 million and one RMB bond offering with a retail issue size of RMB1,000 million

<sup>5</sup> Retail structured notes with an aggregate issue size of \$10,691 million

Table 7 Statistical information and financial position of the Hong Kong securities industry<sup>1</sup>

	As at 31/12/2007	As at 31/12/2006
Total number of securities dealers and securities margin financiers	691	641
Total number of active cash clients <sup>2</sup>	924,131	730,356
Total number of active margin clients <sup>2</sup>	110,043	80,348
<b>Total number of active clients (+28%)</b>	<b>1,034,174</b>	<b>810,704</b>
<b>Balance Sheet</b>	<b>(\$ million)</b>	<b>(\$ million)</b>
Cash in hand and at bank <sup>3</sup>	257,372	150,573
Amounts receivable from margin clients <sup>4</sup>	41,765	20,591
Amounts receivable from clients and other dealers arising from dealing in securities	204,336	160,604
Proprietary positions	139,394	114,788
Other assets	205,965	171,520
<b>Total assets (+37%)</b>	<b>848,832</b>	<b>618,076</b>
Amounts payable to clients and other dealers arising from dealing in securities	333,904	244,766
Total borrowings from financial institutions	114,754	118,484
Short positions held for own account	50,909	62,714
Other liabilities	173,885	85,196
Total shareholders' fund <sup>5</sup>	175,380	106,916
<b>Total liabilities and shareholders' fund (+37%)</b>	<b>848,832</b>	<b>618,076</b>
	<b>12 months to 31/12/2007</b>	<b>12 months to 31/12/2006</b>
<b>Profit and loss</b>	<b>(\$ million)</b>	<b>(\$ million)</b>
Total value of transactions <sup>6</sup>	64,704,725	30,754,491
Net securities commission income	55,560	29,456
Gross interest income	16,781	10,903
Other income <sup>7</sup>	84,610	53,784
<b>Total operating income (+67%)</b>	<b>156,951</b>	<b>94,143</b>
Total overheads and interest expense	-102,647	-71,855
<b>Total operating profit (+144%)</b>	<b>54,304</b>	<b>22,288</b>
Net profit on proprietary trading	10,523	2,733
<b>Net profit for the period (+159%)</b>	<b>64,827</b>	<b>25,021</b>

<sup>1</sup> 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.

<sup>2</sup> 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 Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.

<sup>3</sup> Cash in hand and at bank includes trust monies held on behalf of clients amounting to \$104,051 million (31/12/2006: \$65,463 million).

<sup>4</sup> Average collateral coverage (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):

As at 31/12/2007	As at 31/12/2006
5.3	5.2

<sup>5</sup> The value of shareholders' fund includes value of redeemable shares.

<sup>6</sup> Total value of transactions includes trading in equities and bonds both in Hong Kong and overseas.

<sup>7</sup> Other income mainly comprises intercompany management fee income, fund management income, corporate finance income and others.

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Table 8 Breaches by licensed corporations noted during inspections

Nature of breaches	Number of breaches 2007-08	Number of breaches 2006-07
Failure to comply with Financial Resources Rules	30	13
Failure to safekeep client securities	34	15
Failure to maintain proper books and records	14	21
Failure to safekeep clients' money	28	23
Unlicensed dealing and other registration issues	5	9
Breach of licensing condition	2	4
Breach of requirements of contract notes / statements of account / receipts	32	26
Failure to make filing / notification	3	3
Breach of margin requirements	3	2
Marketing malpractices	0	5
Illegal short selling of securities	0	1
Dealing malpractices	1	2
Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission	105	126
Breach of Code on Unit Trusts and Mutual Funds	0	1
Breach of Fund Manager Code of Conduct	6	14
Non-compliance with anti-money laundering guidelines	23	5
Breach of other rules and regulations of the Exchanges	4	1
Internal control weaknesses	129	100
Others	41	20
<b>Total</b>	<b>460</b>	<b>391</b>

Table 9 Successful prosecutions – market manipulation

Case	Defendants	Date of conviction	Fine (\$) / Penalty	Investigation costs awarded (\$)
1	Li Kam Shing	28.6.2007	240 hours' community services	15,402
2	Wong Kai Wing	4.7.2007	200,000 four months' imprisonment suspended for 18 months	20,427
3	Cheng Ngai	26.7.2007	30,000 one month's imprisonment suspended for one year	7,198
4	Chan Tit Yuen	5.9.2007	12,400 four months' imprisonment suspended for 12 months	16,650
5	Ho Lai	7.12.2007	six months' immediate sentence	11,868
6	Wong Wing Hing	3.1.2008	two months' imprisonment suspended for two years	13,058
7	Yeung Fong Shiu	6.3.2008	four months' imprisonment suspended for two years	10,242
<b>Total: 7 entities</b>			<b>242,400</b>	<b>94,845</b>

Table 10 Successful prosecutions – unlicensed / unauthorised activities

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
<b>Unregistered dealing / aiding and abetting</b>				
1	Basu Arnab	10.4.2007	25,000	12,591
2	ICICI Bank Limited	10.4.2007	40,000	54,860
3	Rath Lara <sup>1</sup>	10.4.2007	–	4,152
4	Vergheese Abraham	10.4.2007	14,000	7,465
5	Grover Akashdeep <sup>3</sup>	10.4.2007	–	2,456
6	Cheruparambil Manoj <sup>2</sup>	4.5.2007	–	4,669
7	Mangaraj Sambit <sup>2</sup>	4.5.2007	–	2,782
8	Soloman Vijay <sup>2</sup>	4.5.2007	–	3,979
9	Chung Yuk Man Max	25.10.2007	3,000	4,746
10	Chung Yuk Wing	25.10.2007	4,500	4,746
<b>Unlicensed investment adviser</b>				
1	Zavagno Dino	6.9.2007	2,000	17,106
<b>Unlicensed foreign exchange trading / aiding and abetting</b>				
1	Lau Ka Fai	27.8.2007	1,500	15,611
2	Lee Mei Mei	27.8.2007	3,000	15,611
3	Hung Nam Fook	25.10.2007	2,000	15,141
4	Pak Hoi Wun	25.10.2007	1,000	15,141
<b>Issuing unauthorised advertisements, invitations or documents</b>				
1	HKBSS Limited	6.9.2007	2,000	5,869
2	HKBSS Worldwide Limited	6.9.2007	2,000	5,869
3	Chau Chung Kai Peter	27.9.2007	7,500	6,631
4	Chief Securities Limited	27.9.2007	7,500	6,631
<b>Unregistered advising on corporate finance</b>				
1	HKBSS Limited	6.9.2007	5,000	5,869 <sup>4</sup>
2	HKBSS Worldwide Limited	6.9.2007	5,000	5,869 <sup>4</sup>
<b>Restriction on substantial shareholding</b>				
1	Chim Chai Shan Jovin	14.6.2007	10,250	14,512
2	Tung Chung Yin Williams	14.6.2007	17,450	21,764
<b>Total: 23 entities</b>			<b>152,700</b>	<b>254,070</b>

<sup>1</sup> Convicted but conditional discharge on her recognisance of \$2,000 for a period of 12 months granted

<sup>2</sup> Convicted but conditional discharge on their own recognisance of \$2,500 for a period of 12 months granted

<sup>3</sup> Convicted but conditional discharge on her recognisance of \$3,000 for a period of 12 months granted

<sup>4</sup> Investigation costs also related to another summons.

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Table 11 Successful prosecutions – disclosure of interests

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
1	Fu He	12.4.2007	8,000	7,276
2	To Shu Fai	12.4.2007	30,000	–
3	Top Synergy Associates Limited	12.4.2007	10,000	–
4	Vision Harvest Limited	12.4.2007	10,000	–
5	Kan Che Kin Billy Albert	19.4.2007	12,000	17,443
6	Integrated Asset Management (Asia) Limited	26.4.2007	1,000	3,000
7	Yam Tak Cheung	26.4.2007	1,500	6,000
8	Lau Kam Chee	26.4.2007	1,000	8,628
9	Chu Hon Pong	31.5.2007	16,000	12,441
10	Richfair Limited	31.5.2007	16,000	12,441
11	Concord Group (B.V.I.) Limited	7.6.2007	10,000	–
12	Concord Strategic Investments Limited	7.6.2007	4,000	–
13	Ji Kewei	7.6.2007	10,000	20,677
14	Lee Sang Yoon	5.7.2007	9,000	6,940
15	Lau Fook Chuen	2.8.2007	4,000	4,652
16	Lee Wai Man	2.8.2007	16,000	4,266
17	Leung Wai Cheung	9.8.2007	2,400	7,533
18	Lo Jung Te	9.8.2007	1,500	14,051
19	Liu Yanjie	9.8.2007	4,800	7,342
20	Sunny Link Trading Limited	20.8.2007	2,000	7,908
21	Zhang Xiaohui	8.11.2007	72,000	17,674
22	Chew Lye Yin	8.11.2007	70,000	12,426
23	Wei Ming	22.11.2007	25,000	6,103
24	Chiu Shun Yun	6.12.2007	8,000	2,791
25	Lee Shuk Yee	6.12.2007	8,000	2,481
26	APAC Capital Advisors Limited	27.12.2007	5,000	3,037
27	Lu Yungang	27.12.2007	5,000	3,037
28	Golden China Master Fund	14.2.2008	6,000	3,475
29	Greenwoods Asset Management Limited	14.2.2008	6,000	3,475
30	Jiang Jinzhi	14.2.2008	6,000	3,475
<b>Total: 30 entities</b>			<b>380,200</b>	<b>198,572</b>

Table 12 Successful prosecutions – provision of false or misleading information

Case	Defendants	Date of conviction	Fine (\$) / Penalty	Investigation costs awarded (\$)
1	Wong Mang Chung Alex	12.4.2007	10,000	16,324
2	Daido Group Limited	12.4.2007	50,000	–
3	To Shu Fai	12.4.2007	50,000	15,166
4	Li Kam Shing	28.6.2007	240 hours' community service <sup>1</sup>	15,402 <sup>1</sup>
5	Green Energy Group Limited	8.11.2007	40,000	27,185
<b>Total: 5 entities</b>			<b>150,000</b>	<b>74,077</b>

<sup>1</sup> Penalty and investigation costs also related to another summons.

Table 13 Successful prosecutions – short selling

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
1	Yip Po Keung	12.7.2007	24,000	13,500
2	Liang Kin Wai	13.9.2007	27,500	10,513
3	Suen Wai Hung	13.9.2007	32,500	16,634
4	Lam Ho Kwan John	4.10.2007	35,000	9,145
5	Lam Chun Wilson	27.3.2008	48,000	30,839
<b>Total: 5 entities</b>			<b>167,000</b>	<b>80,631</b>

Table 14 Most significant disciplinary actions in 2007-08

Case	Parties involved	Date of action	Misconduct	Action / SFAT decision
1	Hong Kong Forex Investment Limited	29.1.2008	Failure to prevent unlicensed activities	SFAT ordered interim suspension effective for five and a half months until the hearing to be held in mid-July 2008.
2	South China Capital Limited, South China Research Limited	19.12.2007	Failure to act properly as sponsor (SC Capital) and failure to enforce its staff dealing policy (SC Research)	If either company commits similar breaches in the next three years, SC Capital will be suspended from sponsorship activities for 18 months and / or SC Research will be suspended for a minimum of three months, as relevant. A surprise inspection by outside auditors will be conducted within the next three years to review compliance.
3	Hang Tai Securities Limited	23.10.2007	Insufficient internal controls to prevent and detect misappropriation and other misconduct	Reprimanded and fined \$800,000
4	Fong Shik Yee	29.8.2007	Misappropriation of clients' assets	Licence revoked and banned for life
5	Yeung Hon Fat	30.7.2007	Breach of employer's internal control procedures and operating secret accounts	Banned for life
6	Fung Chun Wai	16.10.2007	Misappropriation of clients' assets	Banned for life
7	Leung Wu Huey Ju Betty	24.10.2007	Misappropriation of clients' assets	Banned for life
8	Leung Kin Man Kenny	24.10.2007	Misappropriation of clients' assets	Banned for life
9	Man Kwai Ching	22.11.2007	Lack of supervision to implement and maintain adequate internal control policies and procedures	Banned for life from being Responsible Officer
10	Ip Shu Kun	10.12.2007	Misappropriation of clients' assets	Banned for life
11	Poon Ting Kei	8.1.2008	Misappropriation of clients' assets	Banned for life
12	Ding Lai Leung	4.1.2008	Front running	Revocation and fined \$128,000
13	Chung Yu Kit	4.1.2008	Front running	Revocation
14	Lee Mei Mei	6.11.2007	Procuring unlicensed persons to engage in regulated activities	Revocation

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**Table 15** Requests for regulatory co-operation

	2007-08		2006-07		2005-06	
	In	Out	In	Out	In	Out
Enforcement-related requests for assistance	65	55	68	23	71	18
Licensing-related requests for assistance	254	1,004	233	853	186	631

'In' represents requests received, while 'out' are requests made.

**Table 16** Comparison with overseas regulatory agencies

It is difficult to obtain detailed data, in a consistent format, for sensible comparison of key performance measures with other regulators and this is complicated further by the different mandates which each of these regulators have. Nevertheless, we have set out in this table some key data relating to the size of certain other regulators for the interest of readers.

All foreign currency amounts have been translated into Hong Kong dollars at 31 March 2008 exchange rate for the purpose of comparison.

	2007-08	2006-07	2005-06
SFC (year ended on 31 March) <sup>1</sup>			
Number of staff	442	443	441
Total expenditure (\$ million)	585	541	497
US Securities and Exchange Commission (SEC) (year ended on 30 September) <sup>2</sup>			
Number of staff	3,567 <sup>5</sup>	3,465	3,695
Total expenditure (\$ million)	7,067 <sup>5</sup>	6,829	6,843
UK Financial Services Authority (FSA) (year ended on 31 March) <sup>3</sup>			
Number of staff (at year-end date)	2,700 <sup>6</sup>	2,606	2,667
Total expenditure (\$ million)	4,676 <sup>6</sup>	4,632	4,481
Australian Securities & Investments Commission (ASIC) (year ended on 30 June) <sup>4</sup>			
Number of staff (at year-end date)	DNA <sup>7</sup>	1,610 <sup>8</sup>	1,471
Total expenditure (\$ million)	DNA <sup>7</sup>	1,821 <sup>8</sup>	1,549

<sup>1</sup> The SFC is an independent non-governmental statutory body funded mainly by a market levy and is responsible for regulating the securities and futures markets in Hong Kong.

<sup>2</sup> The US SEC is an independent, non-partisan, quasi-judicial regulatory government agency with responsibility for administering the federal securities laws.

<sup>3</sup> The FSA is an independent non-governmental body funded by the firms it regulates. It has been given statutory powers to regulate the financial services in the UK including authorisation and regulation of deposit taking, insurance, mortgage lending, general insurance advice, mortgage advice and investment business.

<sup>4</sup> The ASIC is an independent Commonwealth government body which enforces and regulates company and financial services laws to protect consumers, investors and creditors.

<sup>5</sup> Budget figures extracted from FY2009 Congressional Justification

<sup>6</sup> Budget figures extracted from FSA Business Plan 2007/2008

<sup>7</sup> Data not available

<sup>8</sup> Figures extracted from ASIC Report of Operations 2006/2007