SECURITIES AND
FUTURES COMMISSION
證券及期貨事務監察委員會

Fund Management Activities Survey 2006

Hong Kong
July 2007

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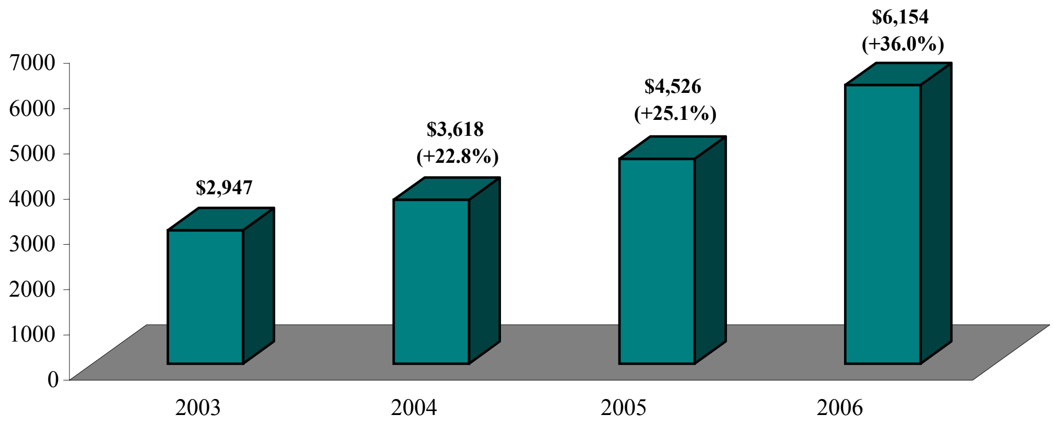
Survey Summary

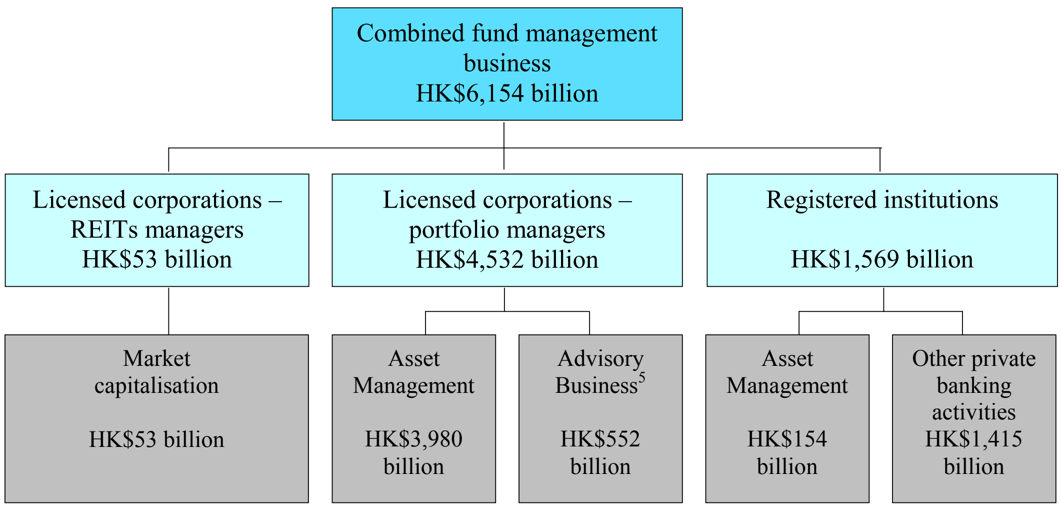
The Securities and Futures Commission ("SFC") has conducted a Fund Management Activities Survey ("FMAS") for the year ended 31 December 2006. The survey covered fund management activities among licensed corporations[1] and registered institutions[2]. The major findings are summarised as follows[3,4]:

1. **The combined fund management business[5] of Hong Kong recorded 36.0% year-on-year increase to $6,154 billion as at the end of 2006. (2-year growth: 70.1%).**

Combined Fund Management Business (HK$ in billions)



Components in Combined Fund Management Business



<u>Legend</u>
REITs: Real Estate Investment Trusts

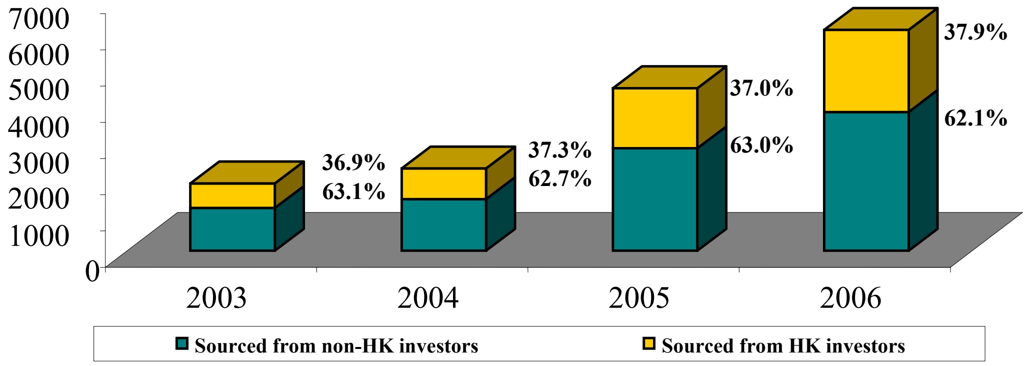
- Asset management, which accounted for the largest share of the combined fund management business, recorded an impressive growth rate of 27.5% in 2006, after an 18.3% rise in 2005. Advisory business and other private banking activities showed remarkable growth of 67.1% and 54.5% respectively, up from a lower base of comparison but importantly, indicating a broadening in the range of fund management activities conducted in Hong Kong.

- Licensed corporations maintained their dominance in building assets under management, while registered institutions continued to gather strength in their efforts to provide fee-based services such as private banking to their clients, in addition to the traditional banking services.

- The expansion of the investment scope of the overseas wealth management business of Mainland commercial banks on behalf of clients, generally known as the Qualified Domestic Institutional Investors ("QDII") business of Mainland commercial banks, as announced by the China Banking Regulatory Commission ("CBRC") in May 2007 and the Provisional Rules for QDII Investing in Overseas Securities as announced by the China Securities Regulatory Commission ("CSRC") in June 2007 are expected to provide a source of sustained growth for the combined fund management business in Hong Kong. Furthermore, under the Supplement IV to the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA IV"), qualified Mainland fund management companies are allowed to set up businesses in Hong Kong, thus enhancing the breadth of the financial intermediary base in Hong Kong.

2. **Hong Kong continued to attract investment capital from non-Hong Kong investors. Funds sourced from these investors have consistently accounted for over 60% of the fund management business in Hong Kong. In 2006, of the total $6,101 billion worth of non REIT fund management business recorded, 62.1% or $3,786 billion was sourced from non-Hong Kong investors.**

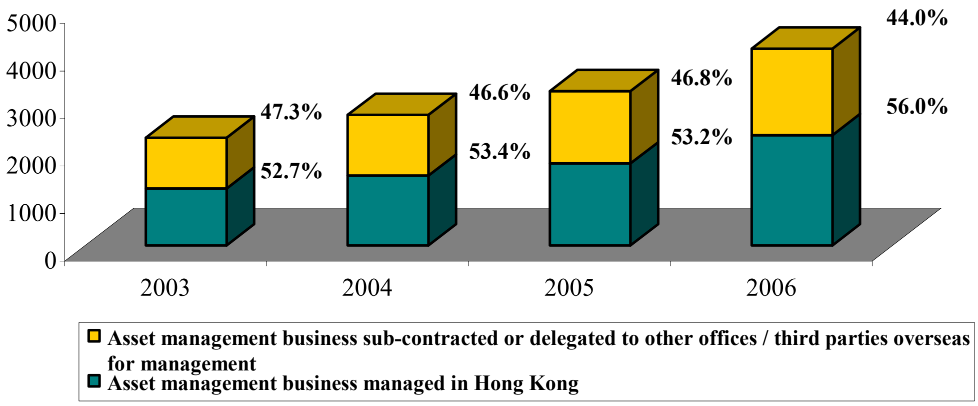
Fund Management Business - by source of funds
(HK$ in billions)



- The ability to attract capital from non-Hong Kong investors can be attributed to the advantages offered by Hong Kong, namely the presence of a large number of international financial institutions, the quality and expertise of the investment professionals and the established platform that Hong Kong provides for investment in the growing regional economies.

3. **The proportion of assets managed in Hong Kong has demonstrated steady growth over the years, accounting for 56.0% of the asset management business ($4,134 billion) of licensed corporations and registered institutions, up from 52.7% in 2003.**

Asset Management Business - by location of management
(HK$ in billions)

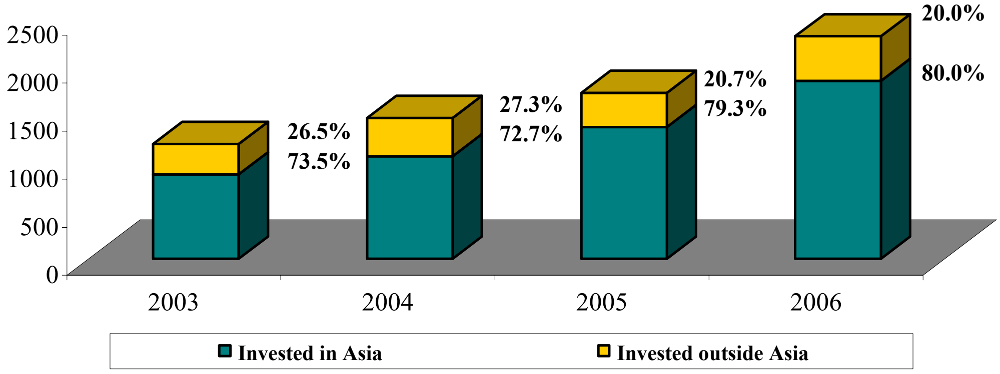


- The increased proportion of assets managed in Hong Kong on the back of a growing pool of investment capital demonstrates both the capability and skills of the investment professionals in Hong Kong, and Hong Kong as a preferred location for conducting asset management business in the region.

- With the significant opportunities offered by the QDII scheme, the funds managed in Hong Kong are expected to show significant growth, as licensed corporations and registered institutions are well-positioned to capture fund management business in this area, given their established networks in the Mainland.

4. **Investment in Asian assets remained buoyant, supported by continued economic growth in Asia. Of the $2,315 billion worth of assets managed in Hong Kong, 80.0% ($1,852 billion) was invested in Asia. The consistently high percentage of assets allocated to Asia reflects Hong Kong's position as a centre for managing investments in the Mainland and other parts of Asia as a whole.**

Assets Managed in Hong Kong - by geographical spread
(HK$ in billions)



- The level of investments in Asia remained high and accounted for 80.0% of the assets managed in Hong Kong, prompted by the strong performance of the regional economies. Of this 80.0%, 42.2% was invested in Hong Kong and the Mainland and 37.8% in the rest of Asia Pacific.

- The substantial investments in the Asian Pacific region (outside the Mainland and Hong Kong) suggest that the market practitioners in Hong Kong have developed valuable insight and understanding of the underlying economics, regulatory environment and business practice in the region, contributing to Hong Kong being a center for managing investment capital destined for investment in not only the Mainland but also the rest of Asia.

Outlook and Recent Developments

Given Hong Kong's quality regulatory environment, sound market infrastructure, presence of a critical mass of professionals and strong international ties, Hong Kong is well-positioned to capture the continued growth in asset management business in the region. The close economic ties with the Mainland also offer opportunities for further development. The SFC will continue to work with the industry to explore appropriate structures and mechanisms to give investors access to the latest investment technology.

1. Hong Kong as an international financial centre for the Mainland and CEPA IV

- In April 2007, the SFC entered into a Memorandum of Understanding ("MOU") with the CBRC for co-operation and information sharing with respect to Hong Kong licensed intermediaries who provide services to Mainland commercial banks conducting overseas wealth management business on behalf of their clients. In May 2007, the CBRC announced a widening of the scope of investments allowed under the overseas wealth management business provided by the Mainland commercial banks for their clients. The SFC is currently the only securities regulator with whom the CBRC has signed an MOU and Hong Kong is therefore the only non-Mainland equity market in which Mainland commercial banks may invest on behalf of their clients. These measures are expected to contribute to the demand for fund management services in Hong Kong and to generate increased investment via the Hong Kong platform.

- In June 2007, the CSRC announced that QDII fund management companies and securities firms are allowed to invest in overseas stocks and other specified securities that are listed in markets regulated by a supervisory authority that has signed an MOU on regulatory cooperation with the CSRC. Although the SFC is only one of the 33 regulators who have signed MOUs with the CSRC, making Hong Kong only one of the markets that QDII fund management companies and securities firms can invest in, Hong Kong is well positioned to capture business opportunities based on:

  - ✓ close economic ties with the Mainland
  - ✓ a well-established, deep and liquid market
  - ✓ a world class regulatory regime
  - ✓ a broad range of investment products
  - ✓ a critical mass of financial talent with international exposure and Mainland experience

  Hong Kong is well-placed to capture the tremendous opportunities provided under the QDII scheme.

- In June 2007, CEPA IV was signed. Amongst other provisions for qualified Mainland fund management companies to set up subsidiaries in Hong Kong. Together with prior commitments under CEPA, Mainland securities and futures companies and fund management companies can now participate in the Hong Kong market through their subsidiaries. CEPA IV complements the QDII scheme announced by the CSRC and promotes increased participation of Mainland intermediaries in Hong Kong, broadening Hong Kong's intermediary base.

2. **Hong Kong has already established a strong base of fund management businesses, both in terms of product variety and financial management expertise, and is well-positioned to capture investment fund flows and act as the springboard for investments in Asia.**

- During 2006, the SFC authorised a total of 223 unit trusts and mutual funds (excluding REITs), bringing the number of SFC-authorised funds at the end of the year to 1,973, with a net asset value of around $7,100 billion, up 36.4% year-on-year. In line with the global interest in emerging markets, a number of funds authorised during the year offered exposure to countries such as the Mainland, Brazil and India.

- In 2006, a total of 56 Type 9 (asset management) licences were granted to 56 corporations. These new entrants engaged in a variety of activities, including hedge fund management, collective investment scheme management, portfolio management and REIT management.

- On the fiscal front, the Government's action in 2005 and 2006 to respectively provide for profits tax exemption for offshore funds and to abolish estate duty further enhances Hong Kong's competitiveness as an international financial centre and encourages international investors to hold assets in Hong Kong. This in turn should attract more overseas companies and professionals which will facilitate the further development of Hong Kong's asset management services.

3. **The SFC authorises new products and facilitates industry and market development, bearing in mind investor interests.**

- Among the new fund products authorised by the SFC in 2006 and so far this year were:

  - ✓ the *first* open-ended China A-share fund that substantially invests directly in "A" shares through Qualified Foreign Institutional Investors quota
  - ✓ the *first* exchange traded fund ("ETF") that tracks the performance of the Indian stock market
  - ✓ the *first* open-ended fund that provides dedicated exposure to Vietnam
  - ✓ the *first* ETF that tracks an index on commodities futures

- We have already seen a smooth transition to UCITS III and welcome the added flexibility provided by the UCITS III regulations. In March 2007, the SFC issued streamlined measures for processing UCITS III funds with special features, such as guaranteed funds and index funds. Currently, around 200 UCITS III funds have implemented expanded investment powers and used financial derivative instruments for investment purposes.

- Hong Kong is one of the very first jurisdictions in the world to allow the offering of hedge funds to the retail public, which started in 2002. As at 31st March 2007, the net asset size of our 14 authorised retail hedge funds was $12.96 billion.

- Hong Kong has a total of 17 listed ETFs, with an aggregate market capitalisation of HK$82.82 billion as at mid-July 2007. Hong Kong's ETF market is the largest in Asia ex Japan, in terms of market capitalisation. Through these ETFs, investors may participate in investments in markets such as Hong Kong, the Mainland, Russia and India, and in Asian bonds and in commodities futures.

Survey Report

Introduction

1. The FMAS is an annual survey conducted by the SFC since 1999 to collect information and data on the general state of affairs of the fund management industry in Hong Kong. It helps the SFC plan its policies and operations.

2. The survey covers the fund management activities of two types of firms in Hong Kong, namely:

   (a) corporations which are licensed by the SFC and engage in asset management and fund advisory businesses[1,5] (collectively "licensed corporations" or "LC"); and

   (b) banks which engage in asset management and other private banking activities (collectively "registered institutions" or "RI"), and are subject to the same regulatory regime (i.e. the Securities and Futures Ordinance (the "SFO")) as the licensed corporations in respect of their fund management activities[2].

3. Questionnaires (the "FMAS 2006 Questionnaire") were sent to the licensed corporations and, with the assistance of the Hong Kong Monetary Authority, to the registered institutions, to enquire about their fund management activities as at 31 December 2006. The questionnaire sent to the registered institutions was largely the same as that sent to the licensed corporations, except for minor adjustments to cater for their different business nature and operations.

Responses

General

4. A total of 292 firms responded to the FMAS 2006 Questionnaire, of which 172 licensed corporations and 51 registered institutions reported that they had conducted fund management activities in 2006, while 69 respondents had not conducted any such activities.

5. 205 firms, comprising 169 licensed corporations and 36 registered institutions, reported that they had conducted asset management, advisory business and/or other private banking activities in 2006. Among these firms, 41 licensed corporations and 21 registered institutions reported that they had distributed collective investment schemes during the year.

6. 18 firms, three licensed corporations and 15 registered institutions, had not conducted asset management, advisory business and/or other private banking activities in 2006 but had engaged in distribution of collective investment schemes.

Licensed corporations

7. An analysis of the activities of the 169 licensed corporations that had asset management business and/or had engaged in advisory business on funds or portfolios is shown below:

Respondents with asset management business only	106
Respondents with assets under pure advisory business only	30
Respondents with both of the above businesses	33
	169

Registered institutions

8. An analysis of the activities of the 36 registered institutions that had asset management business and/or had engaged in other private banking activities is shown below:

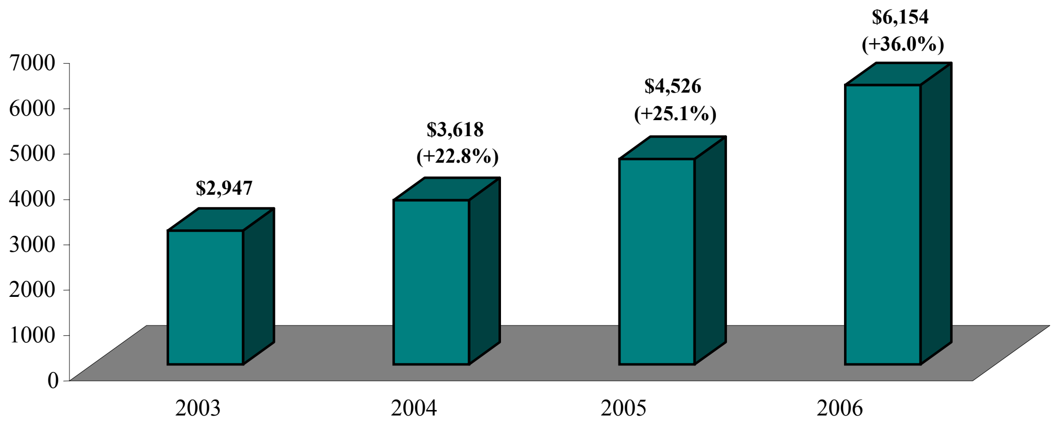
Respondents with asset management business only	11
Respondents with other private banking activities only	12
Respondents with both of the above businesses	13
	36

Findings[3]

Combined fund management business ($6,154 billion)

9. Hong Kong's combined fund management business amounted to $6,154 billion at the end of 2006, representing a year-on-year growth of 36.0% (2-year growth: 70.1%).

Combined Fund Management Business (HK$ in billions)



10. The combined fund management business can be analysed as follows:

(HK$ in billions)	Licensed corporations	Registered institutions	**Total**
Asset management business	3,980	154	**4,134**
Funds / portfolios under advisory business	552	-	**552**
Other private banking activities	-	1,415	**1,415**
Non REIT fund management business	4,532	1,569	**6,101**
SFC-authorised REITs	53	-	**53**
Combined fund management business	4,585	1,569	**6,154**

For major aggregate figures of FMAS 2006, see Appendix on page 20.

11. Licensed corporations reported an aggregate increase of 31.1% in their asset management business and funds under advisory business. By category, their asset management business rose 27.5% while assets under pure advisory business were up 67.1%.

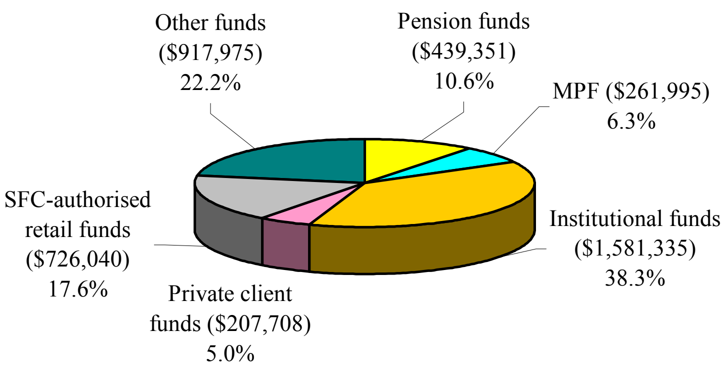
12. Registered institutions reported an aggregate 52.2% gain in their asset management business and other private banking activities. By category, their asset management business rose by 34.1% while other private banking activities surged 54.5%.

Asset management business of licensed corporations and registered institutions ($4,134 billion), collectively Asset Management Business

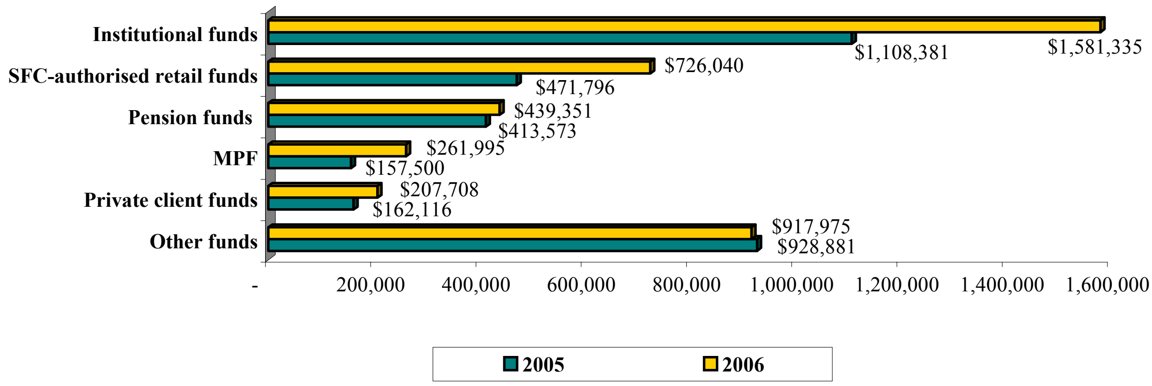
13. Asset management business of $4,134 billion represented an increase of 27.5% from $3,242 billion in 2005. In general, respondents attributed the growth to the positive performance of the financial markets, the inflow of investment monies and the launch of new funds.

Asset management business ($4,134 billion) - by type of funds

Asset Management Business - by type of funds
(HK$ in millions)



Asset Management Business - by type of funds
2006 vs 2005 (HK$ in millions)



14. In value terms, institutional funds continued to represent the largest segment, accounting for 38.3% of total asset management business. The amount of institutional funds rose by 42.7% year-on-year.

15. SFC-authorised unit trusts and mutual funds also demonstrated very strong growth of 53.9% during the year. Increased retail participation in fund investment and the introduction of new funds have contributed to the steady growth of SFC-authorised funds over the years, accounting for 17.6% of asset management business in 2006, up from 12.6% in 2003. According to the Hong Kong Investment Funds Association statistics, the gross sales of all retail investment funds amounted to $190 billion in 2006, up 72.5% from 2005.

16. Measured by growth rates, MPF funds took the lead with a 66.3% gain during the year, supported by increased contributions to the MPF schemes due to an enlarged workforce and gains in salary levels, as the economy of Hong Kong gathered strength. Since peaking at 7.9% in 2003, the unemployment rate of Hong Kong has fallen from 5.2% at the end of 2005 to 4.4% at the end of 2006[6]. Over the three-year period, the amount of MPF funds has grown by nearly three times, from $95 billion in 2003 to $262 billion in 2006. MPF funds are expected to make further substantial gains in the coming years, on the back of continued mandatory contributions and increases in voluntary contributions as a growing percentage of the working population make use of the MPF schemes to invest for their retirement.

Asset management business ($4,134 billion) – by source of funds

(HK$ in millions)	Licensed corporations	Registered institutions	Total
Hong Kong investors (% of total)	1,422,774 (35.7%)	59,103 (38.4%)	1,481,877 (35.8%)
Non Hong Kong investors (% of total)	2,557,661 (64.3%)	94,866 (61.6%)	2,652,527 (64.2%)
Total (100.0%)	3,980,435 (100.0%)	153,969 (100.0%)	**4,134,404 (100.0%)**

17. Funds from non-Hong Kong investors have consistently accounted for around two-thirds of the asset management business. The growth of non-Hong Kong sourced funds is expected to show further growth, as the relaxation of the investment scope of the QDII scheme prompts an influx of investment capital from the Mainland.

18. Locally, the appetite for investment among Hong Kong investors remained buoyant on the back of strong economic growth. They contributed $1,482 billion worth of funds to the total asset management business, up 35.0% year-on-year. In 2005, Hong Kong investors contributed $1,098 billion worth of funds, representing a growth of 16.9% from 2004.

Asset management business ($4,134 billion) – by allocation of investments

(HK$ in millions)	Licensed corporations	Registered institutions	Total
Invested in Hong Kong (% of total)	1,053,251 (26.5%)	11,912 (7.7%)	1,065,163 (25.8%)
Invested overseas (% of total)	2,927,184 (73.5%)	142,057 (92.3%)	3,069,241 (74.2%)
Total (100.0%)	3,980,435 (100.0%)	153,969 (100.0%)	**4,134,404 (100.0%)**

19. Due to the concentration of international financial institutions, the presence of a robust regulatory regime and the strategic location of Hong Kong, Hong Kong acts as a springboard for managing investments in the region. In value terms, $3,069 billion or 74.2% of the assets managed were invested overseas.

20. The remaining 25.8% of the assets were invested in Hong Kong. Among such investments, there was an increase in allocation to equities vis-à-vis bonds and other types of investments, reflecting the strong performance of the equity markets. The weighting of equity investments increased from 65.1% in 2005 to 75.4% in 2006, while investments in bonds declined from 25.4% in 2005 to 16.2% in 2006.

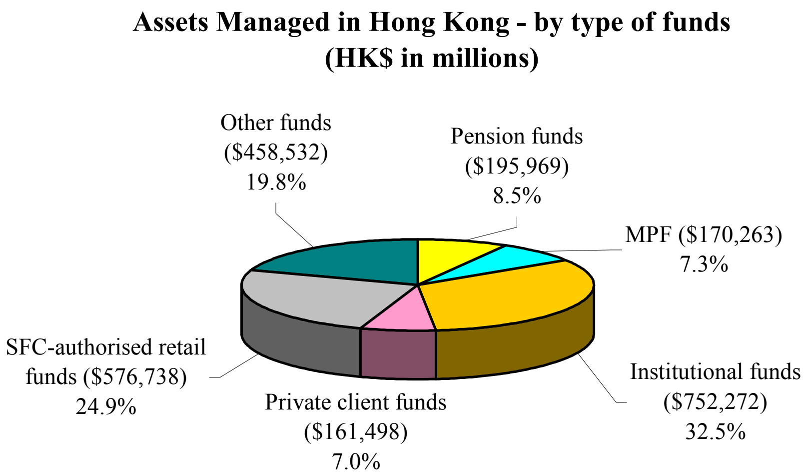
21. The substantial increase in funds invested in Hong Kong equities can be attributed to the increased investments in Mainland enterprises via the Hong Kong stock market. In 2006, a total of 17 H-share companies were listed in Hong Kong, raising a total of $289 billion in the initial public offerings. As at the end of 2006, there were 95 H-share companies and 86 red chips listed in Hong Kong, accounting for an aggregate market capitalisation of $6,315 billion, representing 47.7% of the total market capitalisation of the Hong Kong stock market.

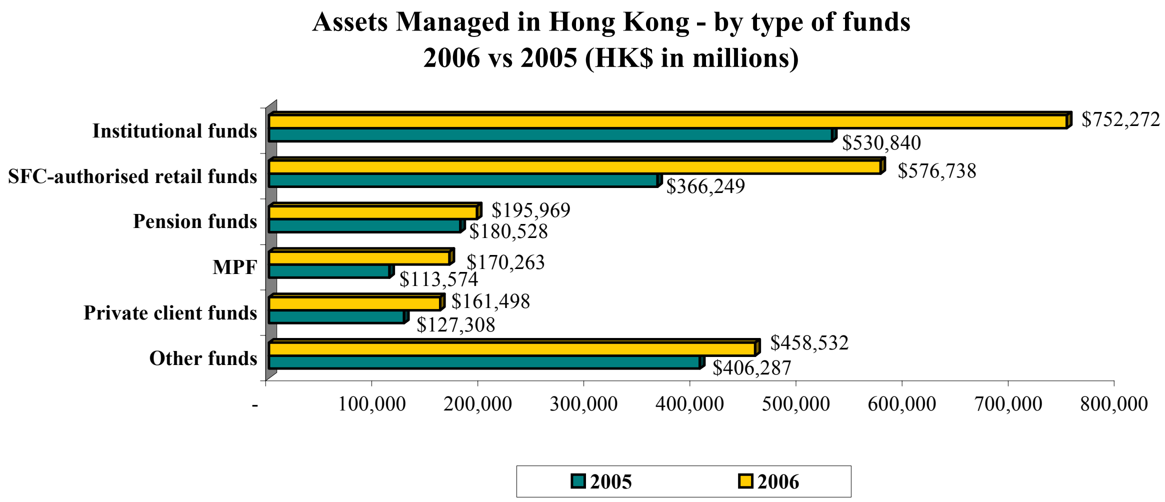
Asset management business ($4,134 billion) – by location of management

(HK$ in millions)	Licensed corporations	Registered institutions	Total
Managed in Hong Kong (% of total)	2,206,783 (55.4%)	108,489 (70.5%)	2,315,272 (56.0%)
Managed overseas (% of total)	1,773,652 (44.6%)	45,480 (29.5%)	1,819,132 (44.0%)
Total (100.0%)	3,980,435 (100.0%)	153,969 (100.0%)	**4,134,404 (100.0%)**

22. The amount of assets managed in Hong Kong has consistently been maintained at 50% or above. In 2006, 56.0% of the asset management business (2005: 53.2%) or $2,315 billion (2005: $1,725 billion) was managed in Hong Kong.

Assets managed in Hong Kong ($2,315 billion) – by type of funds





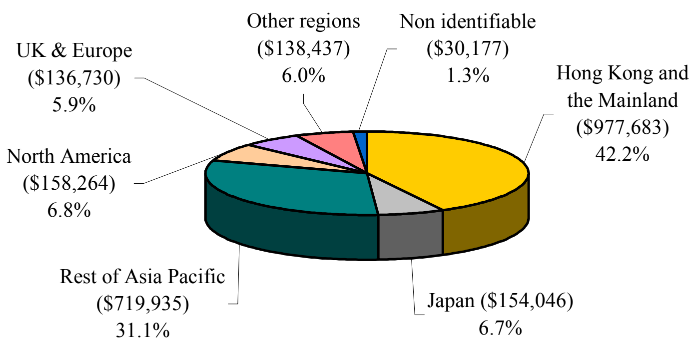
23. Among the $2,315 billion worth of assets managed in Hong Kong, $2,207 billion was under the management of licensed corporations and $108 billion was under the management of registered institutions. Institutional funds continued to dominate as the largest type of funds, while SFC-authorised funds recorded the strongest growth of 57.5% from $366 billion in 2005 to $577 billion in 2006.

24. A total of 223 new funds were authorised during the year, bringing the number of SFC-authorised unit trusts and mutual funds at the end of 2006 to 1,973. Among the funds authorised during the year, there was an increase in funds that proposed to invest in

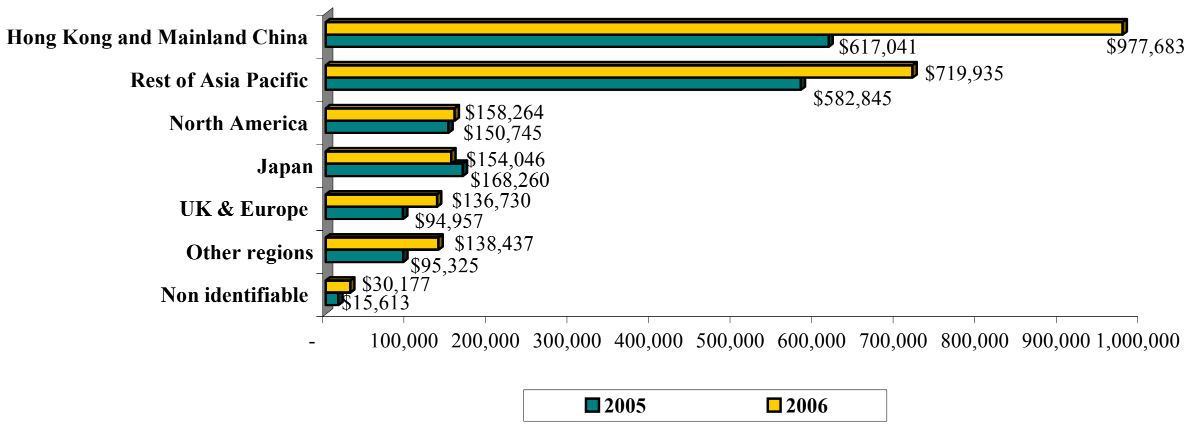
emerging markets or real estate investments. In line with the increasing interest in real estate investment trusts, a number of such funds proposed to use real estate investment trusts as a means for gaining exposure to real estate assets, in addition to property stocks.

Assets managed in Hong Kong ($2,315 billion) – by geographical spread

Assets Managed in Hong Kong - by geographical spread (HK$ in millions)



Assets Managed in Hong Kong - by geographical spread 2006 vs 2005 (HK$ in millions)



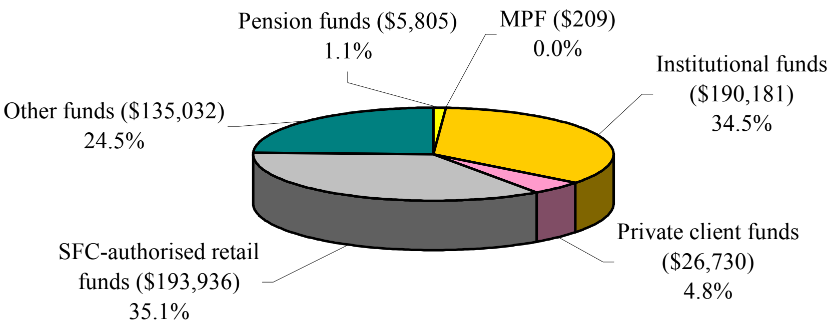
25. Reflecting the increased allocation of assets to emerging markets, the weightings of investments in Hong Kong and Mainland rose significantly while those of investments in Japan declined during the year. Among the SFC-authorised unit trusts and mutual funds, a growing number of funds provide exposure to the Mainland, and some offer investments in emerging markets like Russia, India, Vietnam and Latin America.

26. Diversification of investments into emerging markets not only provides investors with added investment choices, but also allows market practitioners to further enhance the range of investment expertise among the investment professionals in Hong Kong.

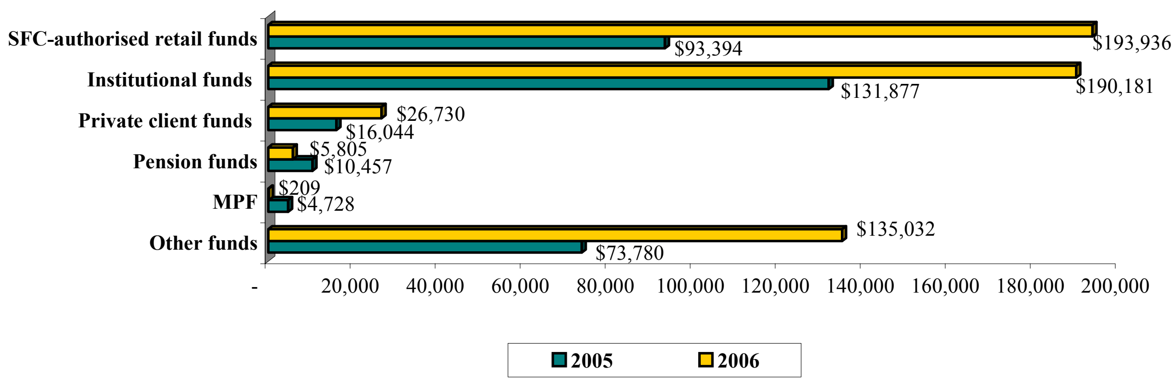
__Total assets under pure advisory business ($552 billion)__

27. The growth of advisory business gained momentum in 2006, up 67.1% to $552 billion, compared with growth rates of 37.1% and 15.2% in 2005 and 2004 respectively. This was the highest growth rate recorded since data on advisory business was first collected in FMAS 2001 and represents a three-fold increase from then. Pure advisory business could develop into another significant activity among the licensed corporations as they capitalise on their investment expertise and broaden the range of wealth management services they offer, in addition to traditional asset management.

Total Assets under Advisory Business - by type of funds (HK$ in millions)



Total Assets under Advisory Business - by type of funds 2006 vs 2005 (HK$ in millions)



28. SFC-authorised retail funds recorded the largest increase in assets in respect of which advisory services were given. They doubled during the year to $194 billion and overtook institutional funds as the largest category of assets under advisory business.

29. Assets under advice were mostly derived from overseas and totalled $448 billion, accounting for 81.2% of the advisory business.

30. The percentage of assets advised in Hong Kong remained steady at around 62%, though the amount grew by 66.2% in value terms from $207 billion in 2005 to $344 billion in 2006.

31. Out of the total $344 billion worth of assets advised in Hong Kong, 96.8% or $333 billion was directly advised by the licensed corporations in Hong Kong while the remaining was sub-contracted or delegated to other offices / third parties.

Other private banking activities ($1,415 billion)

32. In addition to asset management, registered institutions also provide advisory services to their private banking clients. These other private banking activities increased by 54.5% to $1,415 billion in 2006 from $916 billion in 2005. 51.6% of these funds were sourced from Hong Kong investors and the rest from non-Hong Kong investors.

33. The strategic location of Hong Kong in Asia and the presence of well-established international banking institutions allow effective penetration of the wealth management business in Asia. According to the 2007 World Wealth Report released by Merrill Lynch and Capgemini, the Mainland is among the top countries with the fastest-growing high-net-worth individuals ("HNWIs"[7]). The Mainland's HNWI population grew by 7.8% in 2006. Other emerging economies such as Latin America, Russia and the Middle East have also recorded strong growth in HNWI population.

34. It was further noted that the growth in HNWI population was accompanied by an acceleration in globalisation of wealth creation. 2006 saw investment money flowing from the emerging economies into direct foreign investment and stockmarket investments. Hong Kong, backed by a critical mass of professionals with international perspective and financial skills, is well-positioned to attract such HNWIs in their search for international investment management. The engagement of private bankers for wealth management has also gained acceptance among the financial elites and registered institutions have strengthened their resources in developing this aspect of their business.

35. The emerging importance of other private banking activities and pure advisory business complements the growth of the traditional asset management business and enhances Hong Kong's status as a regional centre for wealth management.

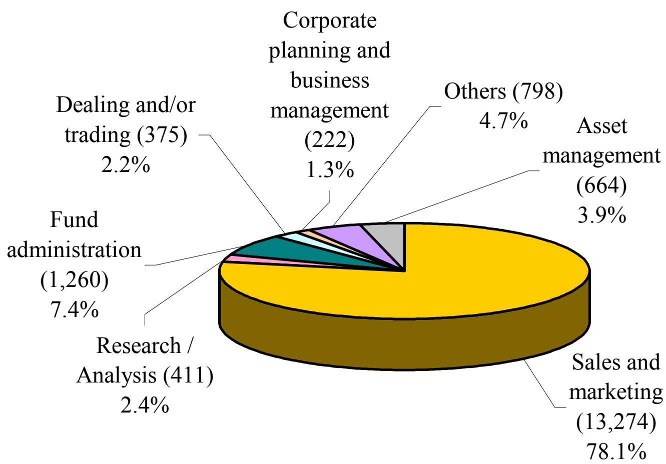
SFC-authorised REITs ($53 billion)

36. The market capitalisation of SFC-authorised REITs increased by 39.9% in 2006, with a total of five listed REITs, offering investors opportunities to invest in a wide range of assets, including prime office space in Central, commercial spaces in decentralised and fringe areas, and commercial space in the Mainland. Acquisitions have commenced among REITs during the year, with two listed REITs making acquisitions to augment their property portfolios.

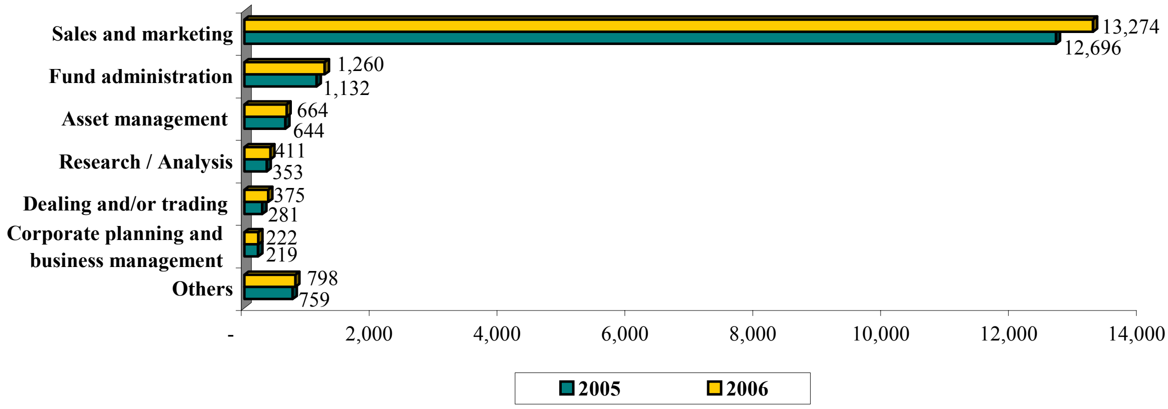
37. The size of Hong Kong is limited and Hong Kong has already got a substantial universe of listed real estate assets in the form of listed property companies. A significant part of the growth of our REIT market will be through the process of overseas investments by REITs in Hong Kong. In addition to our vast hinterland of the Mainland, strong growth to the Hong Kong REIT market is also expected to come from elsewhere in Asia. As Asian real estate markets open up in the coming years due to rapid urbanisation, strong economic growth and the increasing presence of foreign institutional investors, the Asian market will constitute a potent force in the development of REITs in Hong Kong.

Profile of staff

Staff in Fund Management Business - by job function



Staff in Fund Management Business - by job function
2006 vs 2005



38. Buoyant fund management activities have prompted growth in employment among licensed corporations and registered institutions. Together, they reported a 5.7% increase in the number of staff engaged in fund management business. The majority of the increase was seen in sales and marketing function, indicating efforts made to ensure the level of client servicing could be maintained despite the inflow of funds from a broadened client base.

Appendix – Major Aggregate Figures

The major aggregate figures are summarised in the following table.

(HK$ in millions)	Aggregate asset size as at 31 December 2006		
	LC	**RI**	**LC+RI**
Asset management of funds / portfolios			
Total assets managed by the firm (A) = (B) + (C)	3,980,435	153,969	**4,134,404**
Total assets directly managed by the firm in Hong Kong (B)	1,939,062	103,775	**2,042,837**
Total assets sub-contracted or delegated to other offices / third parties for management (C) = (D) + (E)	2,041,373	50,194	**2,091,567**
Total assets sub-contracted or delegated to other offices / third parties in Hong Kong for management (D)	267,721	4,714	**272,435**
Total assets sub-contracted or delegated to overseas offices / third parties for management (E)	1,773,652	45,480	**1,819,132**
Total assets managed in Hong Kong (F) = (B) + (D)	2,206,783	108,489	**2,315,272**
Giving advice on funds / portfolios			
Total assets under advisory business of the firm (H) = (I) + (J)	551,893	-	**551,893**
Assets directly advised by the firm in Hong Kong (I)	333,147	-	**333,147**
Assets sub-contracted or delegated to other offices / third parties for providing advisory services (J) = (K) + (L)	218,746	-	**218,746**
Assets sub-contracted or delegated to other offices / third parties in Hong Kong for providing advisory services (K)	11,027	-	**11,027**
Assets sub-contracted or delegated to overseas offices / third parties for providing advisory services (L)	207,719	-	**207,719**
Assets on which advice is given in Hong Kong (M) = (I) + (K)	344,174	-	**344,174**
Other private banking activities			
Total assets under other private banking activities	-	1,415,353	**1,415,353**
SFC-authorised REITs			
Total market capitalisation of SFC-authorised REITs	53,073	-	**53,073**

[1] A "licensed corporation" means a corporation which is granted a licence under section 120 or 121 of the SFO to carry on a regulated activity in Hong Kong.

[2] A "registered institution" means an authorised financial institution which is registered under section 119 of the SFO. An "authorised financial institution" means an authorised institution as defined in section 2(1) of the Banking Ordinance (Cap. 155).

[3] All figures are in Hong Kong dollars unless otherwise specified.

[4] Commencing from FMAS 2003, the asset management and other private banking businesses of registered institutions have been included in the survey.

[5] "Combined fund management business" comprises fund management business and SFC-authorised real estate investment trusts ("REITs") management business. Due to the alternative investment nature of REITs, they have been excluded from the detailed analysis in this report.

"Fund management business" comprises asset management, advisory business and other private banking activities.

"Asset management" refers to the provision of services which constitute type 9 regulated activity as defined in Schedule 5 of the SFO carried out by licensed corporations and registered institutions, but excludes REIT management, advisory business and other private banking activities, and "assets managed" shall be construed in the same manner.

"Advisory business" refers to the provision of pure investment advisory services on funds/portfolios and does not include the provision of research. It constitutes type 4 and/or type 5 regulated activities as defined in Schedule 5 of the SFO. Such service is generally provided to overseas managers who manage a global or regional portfolio and need expert advice from a manager in Hong Kong or its delegate with respect to the Hong Kong portion or a specific geographic segment of the global or regional portfolio.

"Other private banking activities" refers to the provision of financial services to private banking clients other than by means of type 9 regulated activity carried out by registered institutions. They include providing the service of managing clients' portfolio of securities and/or futures contracts wholly incidental to the carrying on of type 1 and/or type 2 regulated activities.

[6] Source: Hong Kong Monetary Authority Quarterly Bulletin

[7] Individuals with net assets of at least US$1 million, excluding their primary residence and consumables.