

# Half-Yearly Financial Stability Report – the Securities Market and the Securities Industry

Research Department of the Supervision of Markets Division and Intermediaries and Investment Products Division  
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## *A Note from the Editor*

*The Half-Yearly Financial Stability Report includes two regular articles:*

- *Market Update – an analysis of the performance and trading activities of major stock and derivatives markets; and*
- *Industry Update – a detailed description of the performance of intermediaries of the securities industry in Hong Kong.*

*The Half-Yearly Financial Stability Report will be published regularly in the Summer and Autumn issues of the SFC Quarterly Bulletin. The two regular articles will continue to appear as separate items in the Spring and Autumn issues.*

## Half-Yearly Financial Stability Report – the Securities Market

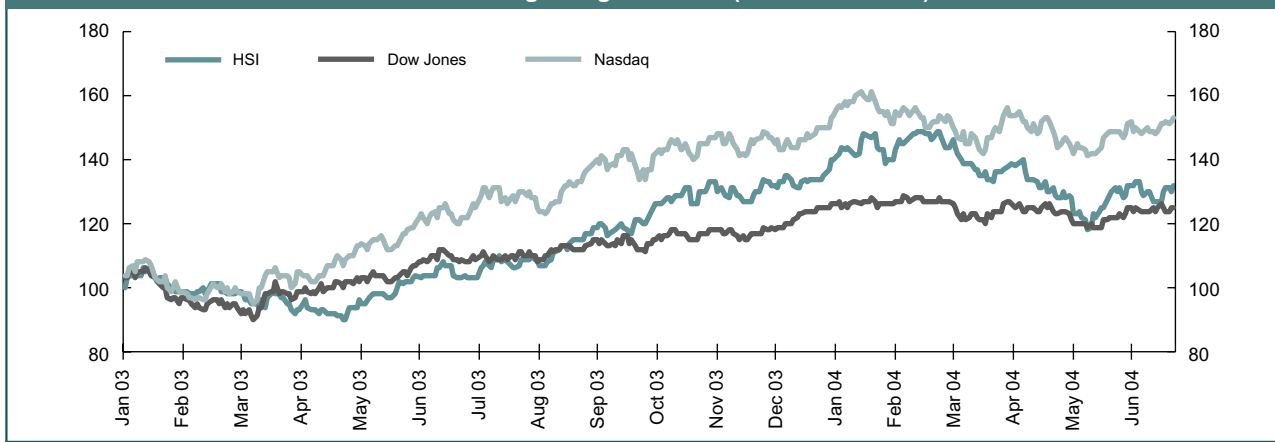
### Summary

*Bullish market sentiment continued into early 2004. However, renewed fears over terrorist attacks, heightened tensions in the Middle East and concerns over interest rate hikes weighed on markets. In Hong Kong, improving economic conditions and the expectation of moderate interest rate hikes gave support to the markets and offset some impacts of the negative factors. IPO activities remained resilient, although the interest in the IPOs of H-share companies cooled off somewhat from the peak period of late 2003. Trading activities remained buoyant on both the cash and derivatives markets. There was an increase in the open interest of HSI futures, but the increase appeared to be in line with the increases in the trading activities of the underlying and possible hedging activities against related products. Major risks include the magnitude of interest rate hikes in the US in the future, the possibility of further tightening in the Mainland and possible volatilities in other markets.*

### Review of Performance of Major Stock Markets in 2003

1. The performance of major markets during 2003 was excellent. In the US, markets advanced amid a low interest rate environment and the end of the war in the Middle East. The Dow and S&P 500 gained 25% and 26% respectively during the year (Chart 1), whilst the Nasdaq surged 50%. Markets in Asia were more bullish, underpinned by a low interest rate environment and funds flowing into the region. Advances ranged from 22% in Malaysia to 72% in India during 2003.
2. In Hong Kong, markets were first dragged down by the outbreak of SARS. The HSI receded to the year-low of 8,409 in April 2003. Later, market sentiment turned around on the signing of the Closer Economic Partnership Arrangement and the relaxation of Mainland travel rules. The HSI rebounded sharply and ended 35% higher than the end 2002 level.

Chart 1 – Performance of the US and Hong Kong Markets (end 2002 = 100)



Source: Bloomberg

### Performance of Major Stock Markets during the First Half of 2004

3. The bullish sentiment continued into the early part of 2004. However, concerns over interest rate hikes in the US, heightened tensions in the Middle East and persistently high oil prices weighed on major markets. In Asia, signs of increased inflationary pressures and macro-economic control measures in the Mainland also loomed over various markets.

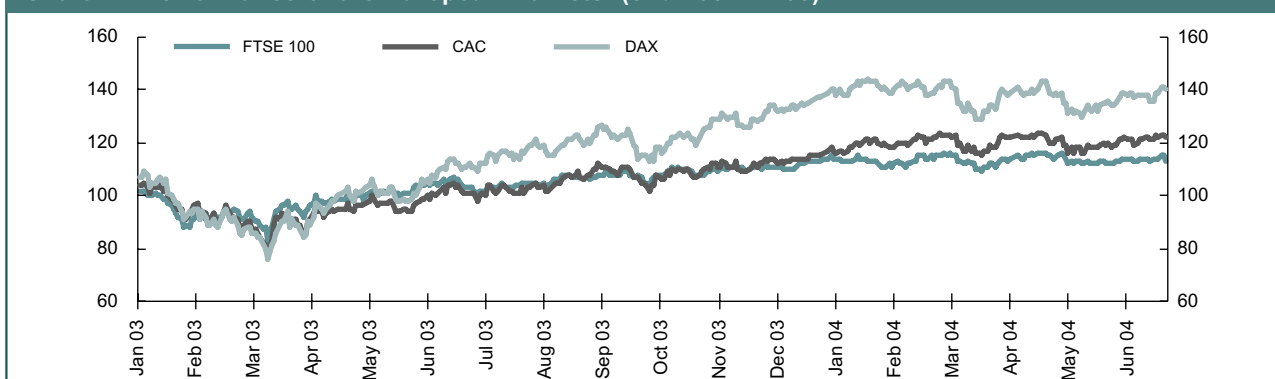
#### US/Europe

4. Markets continued to be buoyant in early 2004, but the uptrend was reversed as a result of the terrorist attack in Spain in March. The US markets were further undermined by heightened tensions in the Middle East. Additional losses were recorded due to the increasing likelihood of interest rate hikes. In addition, oil prices, which hit a record high of US\$42 a barrel, added further pressures

on the markets. Nevertheless, the Fed's indication that any interest rate hike was likely to be gradual supported investor confidence and the move to raise the Fed Funds rate by 25 basis points at the 30 June FOMC Meeting was in line with market expectations. During the first six months of 2004, the Dow fell 0.2%, whilst Nasdaq and S&P 500 advanced 2.2% and 2.6% respectively. The price-earning ratios (PERs) for the Dow, Nasdaq and S&P 500 were 20 times, 51 times and 21 times respectively as of the end of June 2004.

5. The performance of European markets was mixed, as fears over terrorist attacks and possible interest rate hikes were offset by positive corporate earnings. The CAC and DAX gained 4.9% and 2.2% respectively during the first half of 2004, but the FTSE 100 retreated 0.3% (Chart 2). As of the end of the first half of 2004, the PERs for the FTSE 100 and CAC were 16 times and 19 times respectively.

Chart 2 – Performance of the European Markets (end 2002 = 100)



Source: Bloomberg

## Asia

6. The Japanese markets were supported by a strong economic growth and the perception that a weakened Yen might support the country's exports. In addition, investors expected improvements in business conditions. The Nikkei advanced 11.1% during the first half of 2004 whilst its P/E ratio was 18 times as of the end of June 2004. Most other Asian markets also advanced except those in India, Thailand and Korea which slumped 19.9%, 16.3% and 3.1% respectively.
7. The Mainland markets were dampened by the spread of bird flu in early 2004. Later, worries over macro-economic control and credit-tightening measures further dragged down the markets. Investors were also disappointed by the performance of stocks listed on the Second Board of the Shenzhen Stock Exchange. During the first half of 2004, the markets retreated 6.3-17.2%.

**Table 1 – Performance of Major Stock Markets (end 2004 H1)**

		2004 H1	% Change from (in local currency)		% Change from (in US\$)	
			Index	End 2003	2003 H1	End 2003
<b>Australia</b>	-AOI	3,530.30	6.8%	17.7%	-0.7%	22.2%
<b>Mainland, China</b>	-Shanghai A	1,468.84	-6.4%	-5.6%	-6.4%	-5.6%
	-Shanghai B	86.85	-17.2%	-22.7%	-17.2%	-22.7%
	-Shenzhen A	368.82	-6.3%	-13.9%	-6.3%	-13.9%
	-Shenzhen B	248.76	-8.6%	15.3%	-8.6%	15.3%
	-HSI	12,285.75	-2.3%	28.3%	-2.8%	28.3%
<b>Hong Kong</b>	-S&P/HKEx GEM	1,079.34	-9.0%	-1.5%	-9.4%	-1.5%
	-HSCEI	4,291.02	-14.5%	57.4%	-14.9%	57.4%
	-HSCCI	1,358.37	-4.9%	28.8%	-5.3%	28.8%
<b>India</b>	-S&P CNX Nifty	1,505.60	-19.9%	32.8%	-20.7%	34.0%
<b>Indonesia</b>	-JCI	732.40	5.9%	44.9%	-5.2%	27.5%
<b>Japan</b>	-Nikkei 225	11,858.87	11.1%	30.6%	9.5%	43.8%
<b>Korea</b>	-KOSPI	785.79	-3.1%	17.3%	0.0%	21.1%
<b>Malaysia</b>	-KLCI	819.86	3.3%	18.5%	3.3%	18.5%
<b>Philippines</b>	-PCOMP	1,579.40	9.5%	29.2%	8.4%	23.1%
<b>Singapore</b>	-STI	1,838.00	4.2%	26.9%	3.1%	30.1%
<b>Taiwan</b>	-TWSE	5,839.44	-0.9%	19.9%	-0.3%	22.9%
<b>Thailand</b>	-SET	646.64	-16.3%	40.0%	-18.9%	43.7%
<b>France</b>	-CAC	3,732.99	4.9%	21.0%	1.6%	28.3%
<b>Germany</b>	-DAX	4,052.73	2.2%	25.8%	-1.0%	33.4%
<b>UK</b>	-FTSE100	4,464.10	-0.3%	10.7%	1.6%	21.8%
<b>US</b>	-DJIA	10,435.48	-0.2%	16.1%	-0.2%	16.1%
	-Nasdaq	2,047.79	2.2%	26.2%	2.2%	26.2%
	-S&P 500	1,140.84	2.6%	17.1%	2.6%	17.1%

Source: Bloomberg

## Hong Kong

8. Market sentiment in the local markets followed that in major overseas markets. Improving economic conditions gave support to the markets in early 2004. The HSI reached a 33-month high of 13,928 in February 2004. However, the markets soon consolidated on fears of increasing placement activities and possible interest rates hikes in both US and China. Macro-economic control and credit tightening measures adopted in the

Mainland not only pressured the share prices of Mainland stocks<sup>1</sup> listed in Hong Kong, but also those of local stocks because of the close economic relationship between the Mainland and Hong Kong. The HSI reached a low of 10,968 in May. Nevertheless, local economic fundamentals continued to improve. The unemployment rate fell to a 28-month low of 6.9% for the three months ending June, whilst the deflation in consumer prices lessened to 0.9% in the second

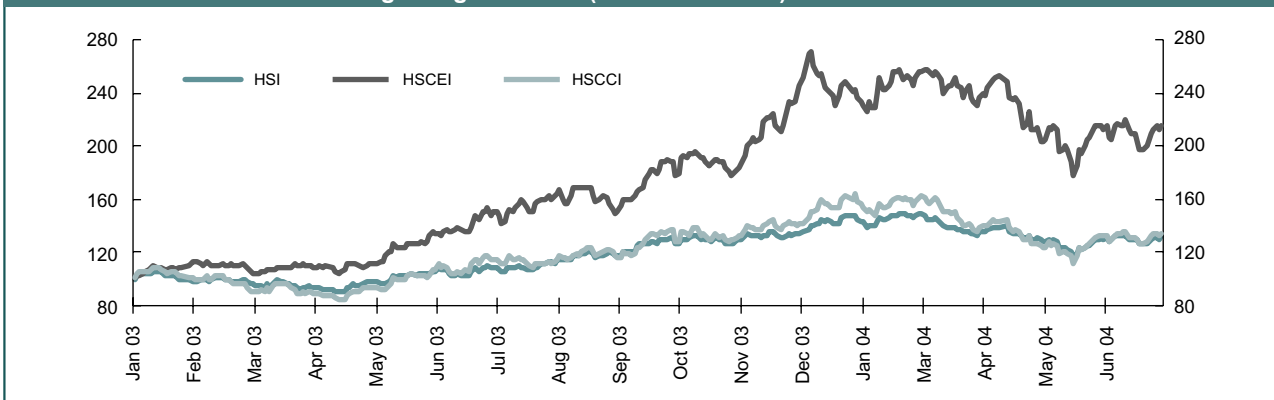
<sup>1</sup> Mainland stocks in this paper refer to H-shares and red chips. The definitions of H-shares and red chips are adopted from HKEx; details are found in Table B2 of the Statistics section of the SFC Quarterly Bulletin.

quarter of 2004 from 1.8% in the first quarter of 2004 and 3.0% in the second half of 2003. Meanwhile, the expectation of mild interest rate hikes in the US trimmed some losses. The 25-basis point interest rate hike in the US has not led to a corresponding increase in the local lending rate due to adequate funds parked at the banking sector. Reflecting this, the Aggregate Balance maintained at an average of HK\$48.1 bn in the first half of 2004 (HK\$5.3 bn in the second half of 2003 and HK\$553 mn in the first half of 2003) and the HKD 1-year forward rate was traded at an average discount of 556 pips in the first half of 2004 (an average discount of 112 pips in the

second half of 2003 and an average premium of 180 pips in the first half of 2003). On balance, the HSI receded 2.3% during the first half of 2004 (Chart 3). The PER for the HSI as of the end of June 2004 was 18 times (Chart 4).

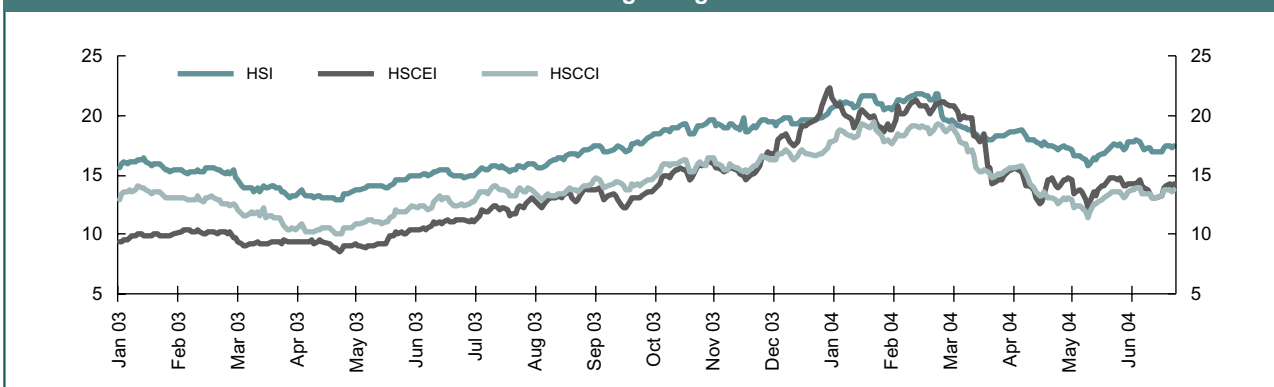
9. Share prices of H-shares and red chips consolidated in the midst of credit-tightening measures adopted in the Mainland. Both H-shares and red chips underperformed the broad market with indices dropping 14.5% and 4.9% respectively during the first half of 2004. The PERs for the H-shares index (HSCEI) and red-chips index (HSCCI) as of the end of June 2004 were both 14 times.

**Chart 3 – Performance of Hong Kong Markets (end 2002 = 100)**



Source: Bloomberg

**Chart 4 – PERs for Benchmark Indices of the Hong Kong Markets**

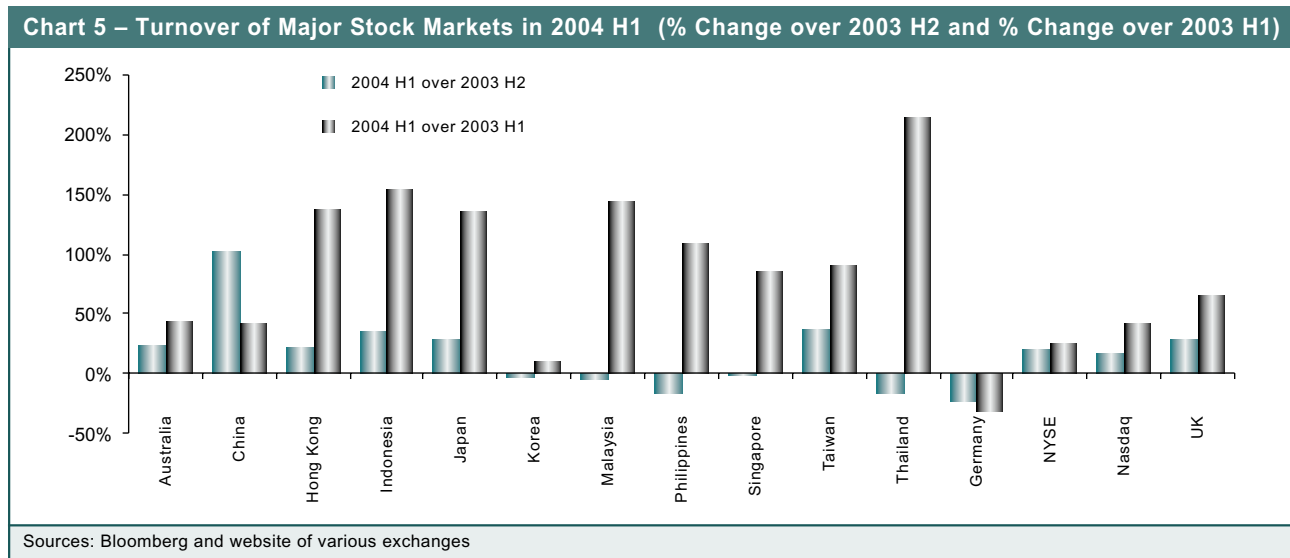


Source: CEIC

## Trading Activities of Major Stock Markets during the First Half of 2004

10. Trading activities of major markets were more active during the first half of 2004 (Chart 5). Turnover increased 20% and 29% in the US and UK respectively. In Asia, turnover in the Mainland markets surged 103%. Trading in other

Asian markets was also robust. In Taiwan, Indonesia and Japan, for instance, rises of 37%, 35% and 29% were recorded respectively. In contrast, turnover in Thailand and Philippines shrank 17% and 16% respectively.



### Trading activities of the Hong Kong stock market by stock type

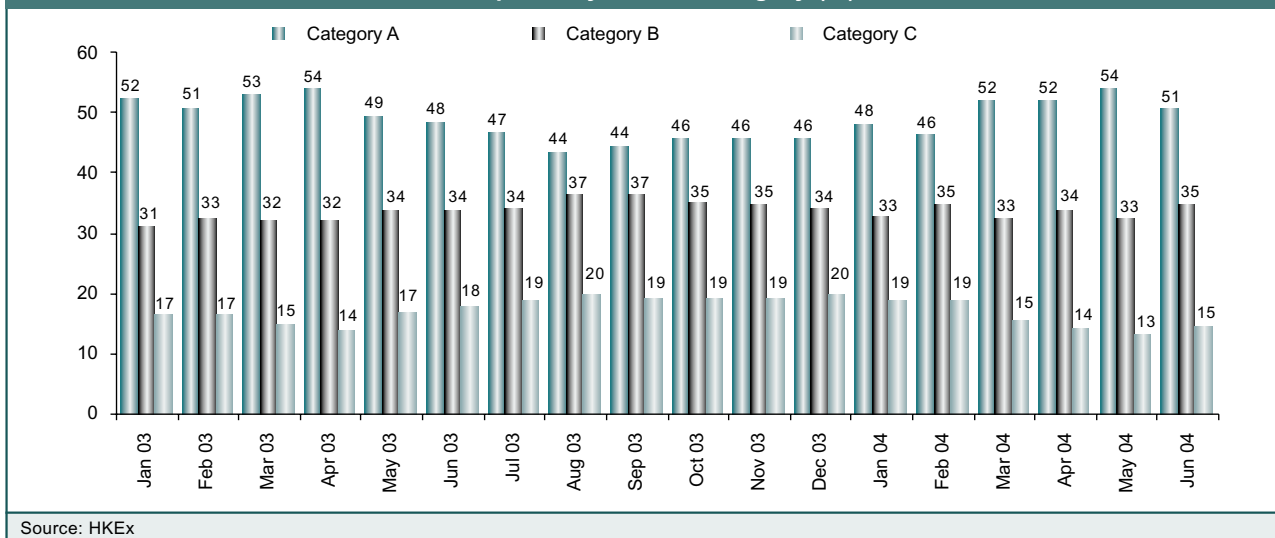
11. In Hong Kong, trading activities remained buoyant in the first half of 2004. The average daily turnover on the main board increased 25% to HK\$16.7 bn and that of HSI constituent stocks increased 17% to HK\$6.7 bn. The HSI constituent stocks accounted for 40% of the total. The average daily turnover of H-shares and red chips jumped 51% and 3.8% to HK\$4.4 bn and HK\$2.8 bn respectively for the first half of 2004.

### Trading activities of the Hong Kong stock market by broker category<sup>2</sup>

12. Category A SEHK participants had the largest share in the total. The share increased to 50.2% in the first half of 2004, from 45.4% in the second half of 2003. The share of Category B SEHK participants was 33.5%, compared to 35.2% in the second half of 2003. The share of Category C SEHK participants was 16.3% in the first half of 2004, lower than the 19.4% in the second half of 2003.

<sup>2</sup> SEHK participants are categorized into Categories A, B and C, based on the value of transactions handled. Category A SEHK participants refer to the top 14 brokers, whilst Category B SEHK participants refer to those ranked 15-65 and the rest are Category C SEHK participants.

Chart 6 – Market Share of SEHK Participants by Broker Category (%)



### Short selling activities

13. Short selling activities grew slightly faster than the overall market turnover, but still remained at reasonable levels. Short selling averaged HK\$608 mn a day in the first half of 2004, 3.6% of the total market turnover. The corresponding figures were HK\$362 mn and 2.7% in the second half of 2003. Short selling of HSI stocks averaged HK\$360 mn a day in the first half of 2004, 5.4% of the turnover of the underlying. This compared to HK\$250 mn a day in the second half of 2003 (4.4% of the turnover of the underlying).

### Initial Public Offerings (IPOs) Activities

14. IPO activities remained resilient during the first half of 2004, although the interest in the IPOs of H-share companies cooled off somewhat from the peak period of late 2003.

15. During the first half of 2004, there were 38 IPOs raising a total of HK\$55.9 bn (Table 2). The amount was 7.6% higher than the HK\$51.9 bn raised in the second half of 2003. However, the

amount raised for H-share companies declined from HK\$41.5 bn in the second half of 2003 to HK\$25.6 bn in the first half of 2004. Funds raised for Mainland enterprises accounted for 48.1% of the total in the first half of 2004, down from 85.6% in the second half of 2003.

16. During the first half of 2004, Ping An Insurance (Group) was listed and raised about HK\$14-15 bn. It was the largest IPO so far in 2004 as well as the 7<sup>th</sup> largest of the SEHK on record. The largest six were also Mainland stocks and they were:

- China Unicom (HK\$43.6 bn in 2000);
- the then China Telecom (later renamed as China Mobile – HK\$32.7 bn in 1997);
- China Life Insurance Company Limited (HK\$26.7 bn in 2003);
- China Petroleum & Chemical Corporation (HK\$26.7 bn in 2000);
- PetroChina Co. Limited (HK\$22.3 bn in 2000); and
- Bank of China (Hong Kong) (HK\$20.5 bn in 2002).

	2004 H1	2003 H2	2003 H1
<b>Number of IPOs</b>			
Total (Main Board + GEM)	38	45	28
Mainland enterprises	13	14	6
- H-shares	11	12	6
- Red chips	2	2	0
<b>Funds raised by IPOs (HK\$ mn)</b>			
Total (Main Board + GEM)	55,872.2	51,936.4	7,205.1
Mainland enterprises	26,861.6	44,453.7	5,979.3
- H-shares	25,603.8	41,491.3	5,979.3
- Red chips	1,257.8	2,962.4	0

Source: HKEx

## Trading Activities of Local Derivatives Market during the First Half of 2004

17. Trading activities on the derivatives market were active in line with the increased trading on the cash market. A total of 9,846,663 futures and

options contracts were traded in the first half of 2004, representing a growth of 22% from a total of 8,046,990 contracts in the second half of 2003 (Table 3).

		Total Turnover			Average Daily Turnover			Growth %	
		2004 H1	2003 H2	2003 H1	2004 H1	2003 H2	2003 H1	2004 H1/ 2003 H2	2003 H2/ 2003 H1
<b>Futures</b>	HSI Futures	4,257,220	3,804,303	2,996,057	35,039	30,313	24,761	16%	22%
	Mini-HSI Futures	727,449	684,279	564,016	5,987	5,452	4,661	9.8%	17%
	H-shares Index Futures <sup>1</sup>	853,139	47,941	-	7,022	3,196	-	120%	-
	3-Month HIBOR Futures	35,755	23,070	24,729	294	184	204	60%	-10%
	Stock Futures	8,879	10,693	7,961	73	85	66	-14%	29%
	Other Futures products <sup>2</sup>	3,520	5,312	6,291	29	42	52	-31%	-19%
	<b>Total Futures</b>	<b>5,885,962</b>	<b>4,575,598</b>	<b>3,599,054</b>	<b>48,444</b>	<b>39,272</b>	<b>29,744</b>	<b>23%</b>	<b>32%</b>
<b>Options</b>	HSI Options	1,097,036	1,007,395	1,111,397	9,029	8,027	9,185	12%	-13%
	Mini-HSI Options <sup>3</sup>	15,965	11,638	20,493	131	93	169	41%	-45%
	H-shares Index Options <sup>4</sup>	5,639	-	-	470	-	-	-	-
	Stock Options	2,842,061	2,452,359	1,768,279	23,391	19,541	14,614	20%	34%
	<b>Total Options</b>	<b>3,960,701</b>	<b>3,471,392</b>	<b>2,900,169</b>	<b>33,022</b>	<b>27,661</b>	<b>23,968</b>	<b>19%</b>	<b>15%</b>
<b>Total Futures and Options</b>		<b>9,846,663</b>	<b>8,046,990</b>	<b>6,499,223</b>	<b>81,466</b>	<b>66,933</b>	<b>53,712</b>	<b>22%</b>	<b>25%</b>

<sup>1</sup> Trading in H-shares Index Futures commenced on 8 December 2003.  
<sup>2</sup> Include MSCI China Free Index Futures, Dow Jones Industrial Average Futures, One-month HIBOR Futures and Three-year Exchange Fund Note Futures.  
<sup>3</sup> Trading in Mini-HSI Options commenced on 18 December 2002.  
<sup>4</sup> Trading in H-shares Index Options commenced on 14 June 2004.  
 Remark: Trading in MSCI China Free Index Futures suspended with effect from 29 March 2004.  
 Source: HKEx

18. The growth was mainly attributable to the increases in the trading of:

- HSI futures (16% in the first half of 2004 after a growth of 22% in the second half of 2003);
- stock options (20% in the first half of 2004 after a growth of 34% in the second half of 2003); and
- the newly launched H-shares Index futures (it became the 4<sup>th</sup> most actively traded

derivative products on HKEx in the first half of 2004 after HSI futures, stock options and HSI options).

19. Open interest of HSI futures averaged 99,280 contracts in the first half of 2004.<sup>3</sup> This was 12% higher than the corresponding figure of 88,492 contracts in the second half of 2003. The increase appeared to be in line with the increases in the trading activities of the underlying and possible

<sup>3</sup> The average open interest of HSI futures over a 6-month period is provided here to even out the spikes in open interest prior to settlement. In practice, the SFC monitors the market from a short-term (daily) perspective to a long-term (yearly) perspective.

hedging activities against related products. This was reflected by the increases in the:

- turnover of HSI futures – the average daily turnover increased 16% from 30,313 contracts in the second half of 2003 to 35,039 contracts in the first half of 2004;
- turnover HSI stocks – the average daily turnover rose 17% over the same period of time; and
- open interest of HSI options – it averaged 124,586 contracts in the first half of 2004, 18% higher than the corresponding figure of 105,828 contracts in the second half of 2003.

## Risks

20. Major risks include the magnitude of interest rate hikes in the US in the future, the possibility of further tightening in the Mainland and possible volatilities in other markets. Nevertheless, as economic fundamentals continue to improve, such risks seem to be limited.

## Half-Yearly Financial Stability Report – the Securities Industry

### Overview of the Securities Industry in the First Quarter of 2004

21. The profitability of intermediaries licensed for dealing in securities improved significantly for the first quarter of 2004 when compared to the last quarter of 2003 as shown in Table 4. With more optimistic market sentiment in stock market, market turnover picked up gradually and thus leading to a corresponding increase in net commission income from securities dealing. Overheads of the industry were also reduced by about 10% in the first quarter of 2004 as compared to the last quarter of 2003. Intermediaries licensed for dealing in securities recorded a net profit of HK\$5.8 bn in the first quarter of 2004, nearly doubled the amount earned in the last quarter of 2003.

**Table 4 – Statistical Information and Financial Position of the Securities Industry**

As at	31/03/2004	31/12/2003
Total number of securities dealers & securities margin financiers	669	673
Total number of active cash clients <sup>1</sup>	706,136	687,802
Total number of active margin clients <sup>1</sup>	92,012	71,240
<b>Balance Sheet (HK\$ mn)</b>		
Cash in hand and at bank <sup>2</sup>	97,938	88,209
Amounts receivable from margin clients <sup>3</sup>	16,481	15,327
Amounts receivable from clients and other dealers arising from dealing in securities	89,208	63,261
Other assets	109,942	105,003
<b>Total assets</b>	<b>313,569</b>	<b>271,800</b>
Amounts payable to clients and other dealers arising from dealing in securities	139,040	109,517
Total borrowings from financial institutions	44,901	36,786
Other liabilities	60,191	62,066
Total shareholders' fund <sup>4</sup>	69,437	63,431
<b>Total liabilities and shareholders' fund</b>	<b>313,569</b>	<b>271,800</b>
	<b>3 months to</b>	<b>3 months to</b>
	<b>31/3/2004</b>	<b>31/12/2003</b>
<b>Profit and loss (HK\$ mn)</b>		
Total value of transactions <sup>5</sup>	4,861,593	3,832,661
Net commission income from securities dealing	5,803	4,573
Gross interest income	703	570
Other income <sup>6</sup>	8,516	8,008
Total overheads and interest expense	(9,184)	(10,160)
<b>Net profit for the period</b>	<b>5,838</b>	<b>2,991</b>

Remarks:

<sup>1</sup> 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 (Contracts Notes, Statements of Account and Receipts) Rules.

<sup>2</sup> Cash in hand and at bank includes trust monies held on behalf of clients amounting to HK\$44,620 mn (31/12/2003: HK\$41,126 mn).

<sup>3</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):

<u>As at 31/3/2004</u>	<u>As at 31/12/2003</u>
4.2	4.2

<sup>4</sup> The value of shareholder's fund includes value of redeemable shares.

<sup>5</sup> The value of transactions includes trading in equities and bonds both in Hong Kong and overseas.

<sup>6</sup> Other income mainly comprises corporate finance income, fund management income, net profit/loss on proprietary trading, intercompany charges and others.

Sources: Monthly Financial Returns submitted in accordance with the Securities and Futures (Financial Resources) Rules by securities dealers and securities margin financiers.



## Business Performance of SEHK Participants

22. Remarkable improvement in the performance of the stock brokerage industry was shown in Table 5, which began in the second half of 2003 and continued into the first quarter of 2004. Recovering from the outbreak of SARS during the second quarter of 2003, the value of transaction of SEHK participants rebounded sharply by about 57% in the third quarter of 2003. The uptrend continued with an advance of about 25% in each of the last quarter of 2003 and the first quarter of 2004. The robust trading activities have contributed to an increase in commission income. The net securities

commission income earned by all SEHK participants in the first quarter of 2004 more than doubled that of the second quarter of 2003. Profit from proprietary trading also contributed to the profitability of SEHK participants as the net gain on their proprietary trading recorded an increase of 205% during the period under review. On the other hand, firms continued to control their operating costs. Therefore, as illustrated in Table 5, total net profit of HK\$3.5 bn was recorded in the first quarter of 2004, almost six times that in the second quarter of 2003.

**Table 5 – Financial Performance of SEHK Participants**

	Quarter 2 2003	Quarter 3 2003	Quarter 4 2003	Quarter 1 2004
<b>Transaction value (HK\$ bn)</b>	1,125	1,766	2,172	2,777
<b>Net securities commission income (HK\$ mn)</b>	1,960	3,126	3,570	4,359
<b>Net profit from proprietary trading (HK\$ mn)</b>	96	170	156	293
<b>Net profit before tax (HK\$ mn)</b>	597	1,993	1,385	3,517

Sources: Monthly Financial Returns submitted in accordance with the Securities and Futures (Financial Resources) Rules by securities dealers and securities margin financiers.

23. While turnover and profitability of all categories of SEHK participants remained strong in the first quarter of 2004, it is however noted that profitability of Category B SEHK participants slowed down due to a slight increase in overheads. Both Category A and C SEHK participants maintained their strong profitability in this quarter, owing to increased commission income and cost control measures. Net profit of Category A SEHK participants surged seven-fold in the first quarter of 2004 when compared to the last quarter of 2003. Net profit of Category C SEHK participants showed a two-fold increase.

## Financial Highlights of Category C SEHK Participants

24. The current economic environment has been favorable for small brokers, as evidenced by the surge in their profitability illustrated in Table 6. An analysis on the income sources of Category C SEHK participants showed that more than half of income was derived from agency broking services. Interest income and profits on proprietary trading represented only a relatively insignificant portion. Although the average gross commission rate charged by Category C SEHK participants has slightly reduced to 0.22% in April 2004 after the deregulation of the minimum brokerage commission rate in April 2003, their aggregate gross commission income has doubled due to an increase in market turnover by 101%.

25. In terms of employment, the number of licensed representatives (mainly account executives and dealing staff) employed by Category C SEHK participants has remained steady at around 4,400 during the period from May 2003 to April 2004.
26. The SFC also helped negotiate CEPA initiatives to allow Hong Kong professionals to enter employment in the Mainland. It is continuing to discuss CEPA initiatives on behalf of the securities industry, subject to Mainland constraints. ■■

**Table 6 – Financial Performance of SEHK Participants – Breakdown in Different Categories (HK\$ mn)**

	Category A*		Category B*		Category C*		All SEHK Participants	
	Quarter 4 2003	Quarter 1 2004	Quarter 4 2003	Quarter 1 2004	Quarter 4 2003	Quarter 1 2004	Quarter 4 2003	Quarter 1 2004
<b>Total value of transactions</b>	952,717	1,278,673	787,698	966,755	431,292	531,701	2,171,707	2,777,129
<b>Total operating income</b>	2,358	4,087	1,724	1,715	1,229	1,341	5,311	7,143
<b>Total overheads and interest expense</b>	2,055	1,888	922	957	949	781	3,926	3,626
<b>Net profit for the period</b>	303	2,199	802	758	280	560	1,385	3,517

\* Categories A, B and C SEHK participants are identified on a monthly basis, based on their turnover on the SEHK. Category A SEHK participants refer to the top 14 brokers by market turnover, whilst Category B SEHK participants refer to those ranked 15 - 65 and the remainders are grouped under Category C SEHK participants.

Sources: Monthly Financial Returns submitted in accordance with the Securities and Futures (Financial Resources) Rules by securities dealers and securities margin financiers.