

RETAIL INVESTOR SURVEY 2004



**Hong Kong Exchanges and Clearing Limited
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EXECUTIVE SUMMARY

The Retail Investor Survey has been conducted periodically since 1989. The survey findings provide information on trends and characteristics of retail participation in the HKEx markets. The Retail Investor Survey 2004 was conducted in October 2004. *(Caution is needed in interpreting the findings on derivatives investors because of their small sample size.)*

Retail participation

- 24.6% of the Hong Kong adult population (or 1,360,000 individuals) were retail investors in stocks and/or derivatives traded on HKEx. 24.4% of the adult population (or 1,354,000 individuals) were stock investors, 17.6% were stock traders (stock investors traded during the 12 months ending October 2004) and 1.4% (or 80,000 individuals) were derivatives investors.
- Retail stock participation (24.4%) increased from 17.5% in 2003 and is the highest since the survey series began.

Investor profile

- The typical Hong Kong retail stock investor is a 42 year-old white-collar worker, with upper secondary or above education and a monthly personal income of about HK\$18,750.
- The typical Hong Kong retail derivatives investor is a 42 year-old white-collar worker with tertiary or above education and a monthly personal income of about HK\$27,500.

Trading pattern

- The median number of stock transactions by stock investors during the 12 months ending October 2004 was 4, the same as in 2003. The average value per stock transaction by stock investors had a median of HK\$30,000. The implied total stock transaction value during the 12-month period had a median of HK\$150,000. In aggregate, the implied total transaction value from all stock investors in Hong Kong was HK\$2,245 billion during the 12-month period.¹
- Stock investors who also invested in derivatives tended to trade stocks more frequently, and had a higher median implied total transaction value during the 12-month period, than those who only invested in stocks.
- The median number of derivatives transactions by derivatives investors during the 12-month period was 10, up from 5 in 2003. The average number of contracts per derivatives transaction by derivatives investors had a median of 2. The implied total contract volume during the 12-month period had a median of 30. In aggregate, the implied total contract volume from all derivatives investors in Hong Kong was 12 million contracts during the 12-month period.¹

Online traders

- 26% of stock investors were online stock traders who had traded stocks via online media during the 12-month period ending October 2004, either always or sometimes, up from 21% in 2003 and back to a similar level in 2002. Among stock traders only, 36% were online stock traders, up from 30% in 2003.

¹ Please see section 4 for detailed calculation method.



- 29% of derivatives investors were online derivatives traders who had traded derivatives via online media during the 12-month period ending October 2004, either always or sometimes, up from 26% in 2003 to a similar level in 2002.
- Compared to non-online stock traders, online stock traders comprise a larger proportion of males, younger persons, individuals with higher education level, higher work status and higher monthly personal income.
- Online stock traders tended to trade stocks more frequently than non-online stock traders; online derivatives traders tended to trade derivatives more frequently than non-online derivatives traders.
- For online stock traders, the median number of stock transactions during the 12-month period ending October 2004 was 10, the same as in 2003 and 2002. Their average value per stock transaction had a median of HK\$50,000 and their implied total transaction value during the 12-month period had a median of HK\$500,000.
- For online derivatives traders, the median number of derivatives transactions during the 12-month period was 12, up from 6 in 2003 and 2002. Their average volume per derivatives transaction had a median of 5 contracts and their implied total transaction volume during the 12-month period had a median of 96 contracts.

Perceptions of HKEx markets

- Stock investors were generally positive about the following stock market aspects, to a similar or higher degree than in 2003:
 - ◆ There was good trading information available (76% agreed vs 6% disagreed).
 - ◆ The market was fair and orderly (69% agreed vs 10% disagreed).
 - ◆ There were enough good quality listed companies available for investment (67% agreed vs 10% disagreed).
 - ◆ The regulation of stock brokers was effective (59% agreed vs 12% disagreed).
 - ◆ The regulation of listed companies was effective (56% agreed vs 18% disagreed).
- Stock investors were moderately positive about the following stock market aspects, to a similar or lesser degree than in 2003:
 - ◆ Stock investors were well-protected (50% agreed vs 25% disagreed).
 - ◆ Listed companies had good disclosure of information (49% agreed vs 20% disagreed).
 - ◆ The regulation of insider trading was effective (40% agreed vs 26% disagreed).
- Derivatives investors were mostly positive about the derivatives market aspects:
 - ◆ Regulation of HKEx derivatives brokers was effective (58% agreed vs 8% disagreed).
 - ◆ The HKEx derivatives market was a fair and orderly market (55% agreed vs 22% disagreed).
 - ◆ There was good trading information available in the HKEx derivatives market (54% agreed vs 19% disagreed).
 - ◆ HKEx derivatives investors were well-protected (52% agreed vs 24% disagreed).
- Retail investors were mostly positive about HKEx giving priority to the public interest (52% agreed vs 18% disagreed).



1. INTRODUCTION

The Retail Investor Survey (RIS) has been conducted periodically since 1989.² The 2004 survey (RIS2004) was conducted by a market research company on behalf of HKEx in October 2004.

The objectives of RIS2004 are to assess:

- the incidence of retail participation in HKEx products (including stocks and derivatives) and the socio-economic profiles of the various retail investor types;
- the trading pattern and incidence of online trading of the various investor types; and
- retail investors' perception of the various aspects of the HKEx stock and derivatives markets.

The 2004 survey assessed the average value per stock transaction and the average contract volume per derivatives transaction for the first time.

It should be noted that the findings on derivatives investors, particularly those relating to their characteristics, are subject to relatively large error due to the small size of the sample of derivatives investors in the survey. Therefore, caution is needed in interpreting the findings on derivatives investors.

2. RETAIL PARTICIPATION

2.1 Types of investor³

In October 2004, 24.6% of the Hong Kong adult population (or 1,360,000 individuals) were retail investors in stocks and/or derivatives traded on HKEx. 24.4% of the adult population (or 1,354,000 individuals) were stock investors, 22.8% (1,264,000) were stockowners and 17.6% (973,000) were stock traders. 1.4% (or 80,000 individuals) were derivatives investors. Only 2.2% and 2.5% of the Hong Kong adult population invested in stocks respectively in Mainland China markets and in other overseas markets and 0.4% in derivatives traded in overseas markets (including Mainland China).⁴ (Tables 1 & 2)

Retail stock participation increased from 17.5% in December 2003 to 24.4% in October 2004, the highest since the survey began. Retail derivatives participation decreased to 1.4% of the Hong Kong adult population from 2.5% in 2003. (Figures 1 & 2)

² Before 2000, it was conducted by the Stock Exchange of Hong Kong, now a wholly-owned subsidiary of HKEx.

³ Please see Glossary for definitions.

⁴ "Invested" in an instrument means holding the instrument at the time of interview or had traded it in the 12 months preceding the interview.

Table 1. Types of investor

	Projected number of individuals	Percentage of Hong Kong adult population
	('000)	(%)
Retail investors	1,360	24.6
Stock investors	1,354	24.4
Stockowners	1,264	22.8
Stock traders	973	17.6
Derivatives investors	80	1.4
Non-investors	4,180	75.4
Total	5,540	100.0

Table 2. Investment in securities products*

	Percentage of Hong Kong adult population (%)
Stocks or derivatives traded on HKEx	24.6
Stocks traded on Mainland China markets	2.2
Stocks traded on other overseas markets (excluding Mainland China)	2.5
Derivative products traded on overseas markets (including Mainland China)	0.4

* Held at the time of interview or had traded in the 12 months preceding the interview.

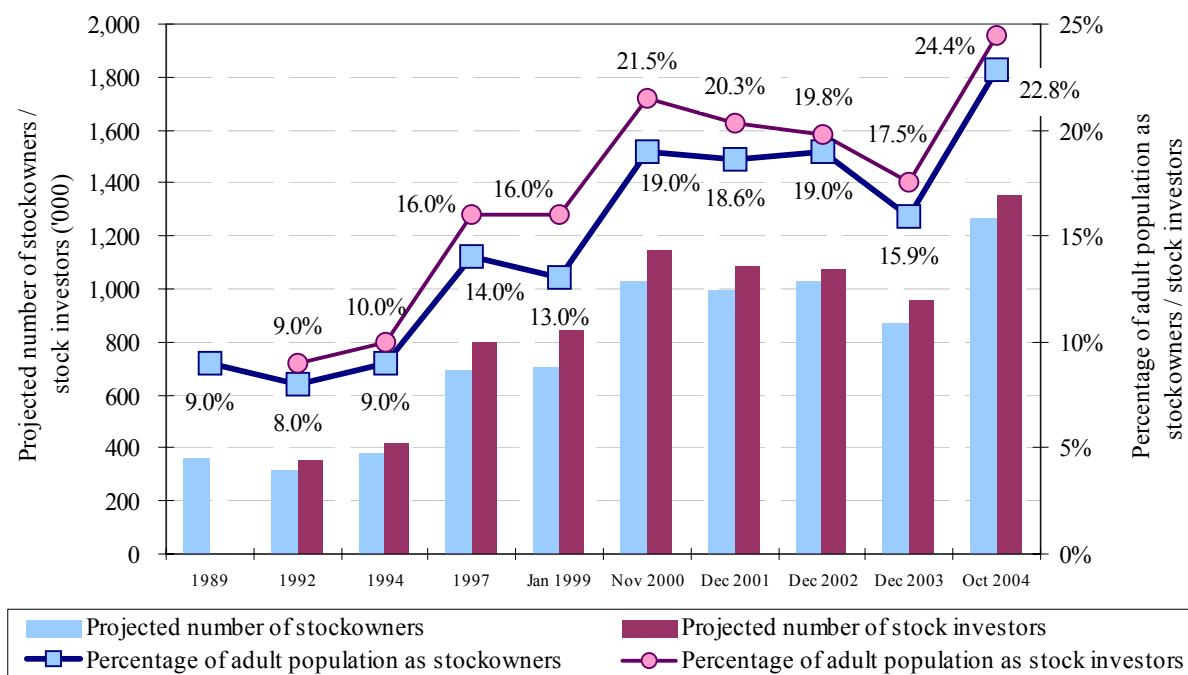
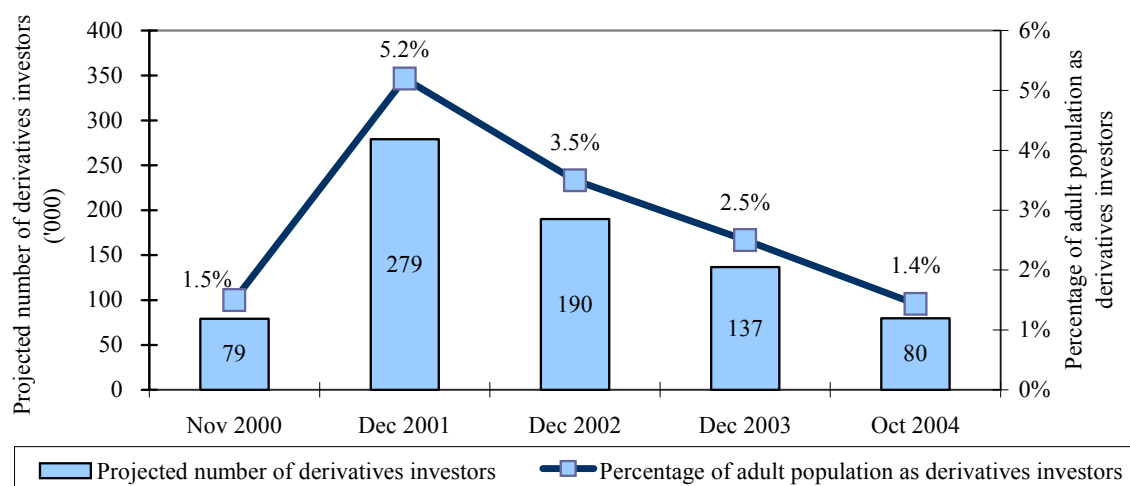
Figure 1. Trend of stockowners and stock investors


Figure 2. Trend of derivatives investors


2.2 Types of stock investor

Among stock investors, 5% also invested in derivatives traded on HKEx (referred to as stock-and-derivatives investors), down from 14% in 2003 and 16% in 2002. The remaining 95% invested only in stocks (referred to as stock-only investors).

The proportion of stock investors that had traded stocks in the 12 months ending October 2004 (referred to as stock traders) was 72%, similar to the 70% in 2003 but higher than the 60% in 2002. The rest of the stock investors (referred to as non-trading stock investors) held stocks without trading them during the period.

Table 3. Types of stock investor (2002 – 2004)

	As percentage of stock investors (%)		
	Dec 02	Dec 03	Oct 04
By product invested			
Stock-only investors	84.5	86.0	94.6
Stock-and-derivatives investors	15.5	14.0	5.4
By trading status			
Stock traders	60.2	70.4	71.9
Non-trading stock investors	39.8	29.6	28.1
All stock investors	100.0	100.0	100.0

2.3 Types of derivatives investor

Among derivatives investors, 93% also invested in stocks, down from 98% in 2003. The remaining 7% invested only in derivatives (referred to as derivatives-only investors), up from 2% in 2003. It should be noted that, due to the small size of the sample of derivatives investors, the statistics would be subject to relatively large error.

By the nature of derivatives on HKEx which generally have a maturity of less than 12 months, all derivatives investors had traded derivatives during the 12 months preceding the interview.

Table 4. Types of derivatives investor (2002 – 2004)

	As percentage of derivatives investors (%)		
	Dec 02	Dec 03	Oct 04
Derivatives-only investors	12.6	1.9	7.4
Stock-and-derivatives investors	87.4	98.1	92.6
<i>All derivatives investors</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

3. INVESTOR PROFILE

Stock investors

The typical Hong Kong retail stock investor is a 42 year-old white-collar worker, with upper secondary or above education and a monthly personal income of about HK\$18,750.

The majority of stock investors were males (59%), similar to 60% in 2003 and 2002. The proportion of stock investors with tertiary or above education decreased to 38% from 43% in 2003 but was still higher than the proportion during 1999 and 2002 (28% - 35%). The composition of stock investors by occupation was similar in the past 5 years, with over half being managers/administrators/professionals (23% - 25%) or white-collar workers (27% - 28%). Notably, a significant proportion of stock investors (25% or above) throughout the past six years were not engaged in full-time or part-time employment, including students, homemakers, retirees and unemployed persons. In 2004, the median monthly personal income among those employed was HK\$18,750, the same as in 2003. (*Figure 3*)

Compared with non-investors, stock investors comprise a larger proportion of individuals who: (*Table 5*)

- were males (59% vs 44% for non-investors);
- aged 30 - 49 (60% vs 41% for non-investors);
- had a higher education level (38% with tertiary or above education vs 20% for non-investors);
- had a higher work status (23% being managers/administrators/professionals vs 7% for non-investors);
- had a higher personal income (a median of HK\$18,750 vs HK\$11,250 for non-investors).



Derivatives investors

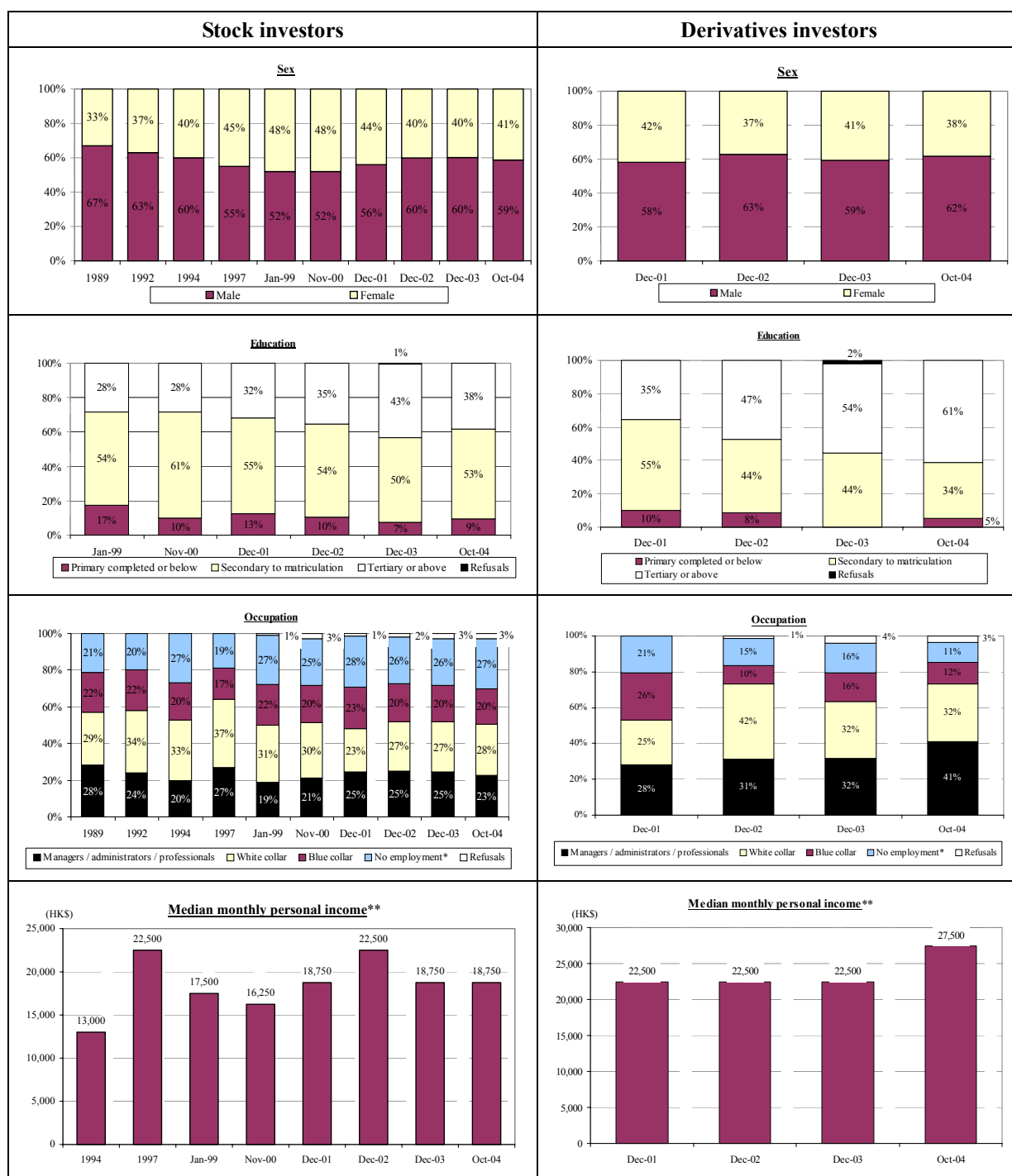
The typical Hong Kong retail derivatives investor is a 42 year-old white-collar worker with tertiary or above education and a monthly personal income of about HK\$27,500.

The majority of derivatives investors were males (62%), a similar level to the previous 2 years (63% in 2002 and 59% in 2003). The proportion of derivatives investors with tertiary or above education increased over the past 3 years from 35% in 2001 to 61% in 2004. The proportion being managers/administrators/professionals also increased over the period from 28% in 2001 to 41% in 2004. The median monthly personal income among those employed increased to HK\$27,500 from HK\$22,500 in each year during 2001 to 2003. (Figure 3)

Compared with stock investors, derivatives investors comprise a larger proportion of individuals who: (Table 5)

- aged 20 – 29 (19% vs 11% for stock investors), but a lower proportion of individuals aged 60 or above (1% vs 11% for stock investors);
- had a higher education level (61% with tertiary or above education vs 38% for stock investors);
- had a higher work status (41% being managers/administrators/professionals vs 23% for stock investors);
- had a higher personal income (a median of HK\$27,500 vs HK\$18,750 for stock investors).

(Note that the findings on derivatives investors are subject to relatively large error due to the small size of the sample of derivatives investors.)

Figure 3. Investor profile over the years


* Not engaged in full-time or part-time employment, including students, homemakers, retirees and unemployed persons.

** Among those who were engaged in full-time or part-time employment.

Note: Numbers may not add up to 100% due to rounding.

Table 5. Profiles of different investor types (2004)

(%)	Adult population	Stock investors	Stock traders	Derivatives investors	Non- investors
Sex					
Male	47.4	58.7	58.5	61.7	43.7
Female	52.6	41.3	41.5	38.3	56.3
Age					
18 – 19	3.2	0.4	0.6	0.0	4.1
20 – 29	16.8	10.6	10.3	19.5	18.7
30 – 39	21.9	25.9	28.0	28.0	20.6
40 – 49	24.1	34.1	33.6	35.2	20.9
50 – 59	15.2	18.3	17.8	15.9	14.3
60 or over	18.9	10.8	9.7	1.4	21.5
Median	42	42	42	42	42
Education level					
No schooling / kindergarten	7.9	1.1	1.1	0.0	10.1
Primary	16.4	8.2	8.4	5.0	19.1
Lower secondary	16.1	15.5	15.4	6.4	16.3
Upper secondary	29.2	30.9	29.7	23.6	28.6
Matriculation	5.8	6.1	5.9	3.9	5.7
Tertiary or above	24.2	38.1	39.4	61.1	19.7
Refusals	0.5	0.1	0.2	0.0	0.6
Occupation					
Managers / administrators / professionals	10.5	22.7	23.6	41.0	6.5
White collar	19.0	27.6	27.8	32.1	16.1
Blue collar	21.4	19.6	18.0	12.3	22.1
Homemakers	19.2	12.5	13.4	4.9	21.4
Retirees	17.0	10.9	10.0	3.0	19.0
Students	4.3	0.7	0.9	0.0	5.5
Unemployed persons	6.0	2.7	3.1	3.3	7.0
Others	0.3	0.3	0.4	0.0	0.3
Refusals	2.3	3.0	2.9	3.4	2.1
Median monthly personal income (HK\$)*	11,250	18,750	18,750	27,500	11,250
Median monthly household income (HK\$)	16,250	27,500	35,000	55,000	13,750

* Among those who were engaged in full-time or part-time employment.

Note: Numbers may not add up to 100% due to rounding.

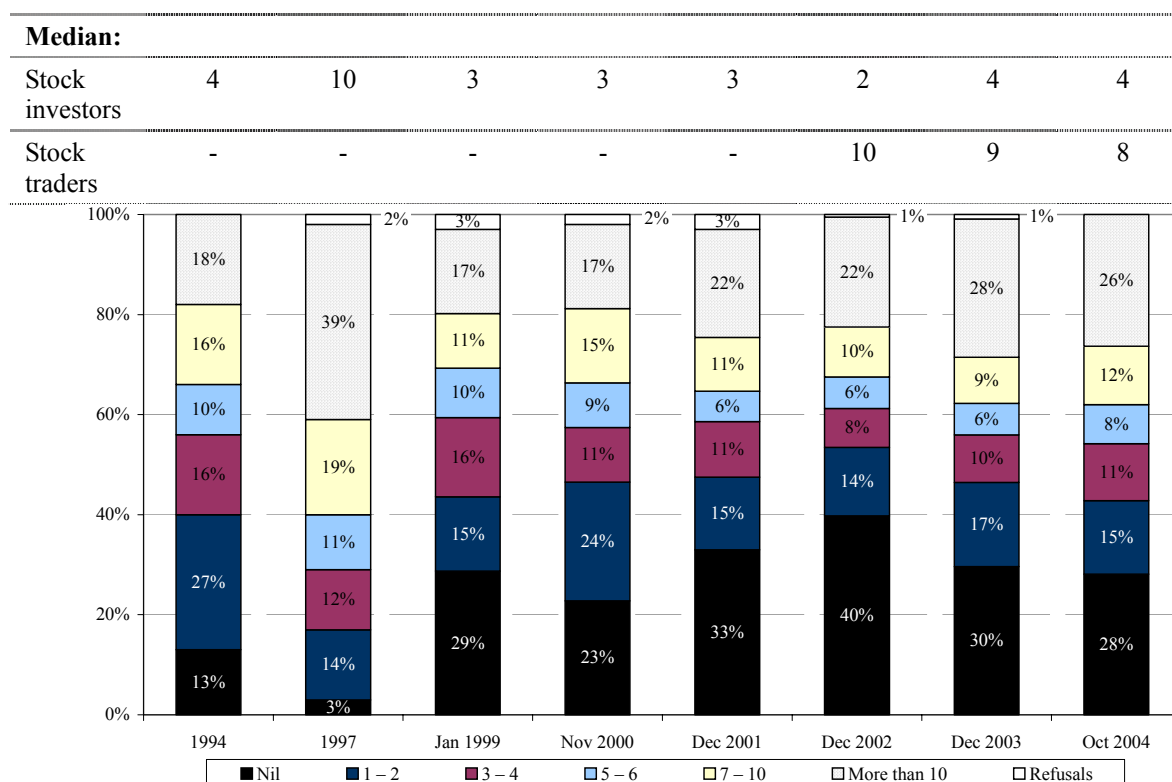
4. TRADING PATTERN

The survey assessed the trading pattern of stock investors and derivatives investors in the 12 months ending October 2004.

4.1 Trading pattern of stock investors

The median number of stock transactions by stock investors was 4, the same as in 2003 and higher than the 2 to 3 in 1999 to 2002, but still much lower than the 10 in 1997. The proportion of stock investors who had not traded during the period (i.e. holding stocks only) was 28%, similar to the 30% in 2003, but down from 40% in 2002. The proportion of stock investors doing more than 10 transactions in 2004 was 26%, similar to the 28% in 2003 but higher than the 22% in 2001 and 2002. Among those who traded stocks (stock traders), the median number of stock transactions in 2004 was 8, slightly down from the 9 in 2003 and 10 in 2002.

Figure 4. Number of stock transactions by stock investors in the past 12 months (1994 – 2004)

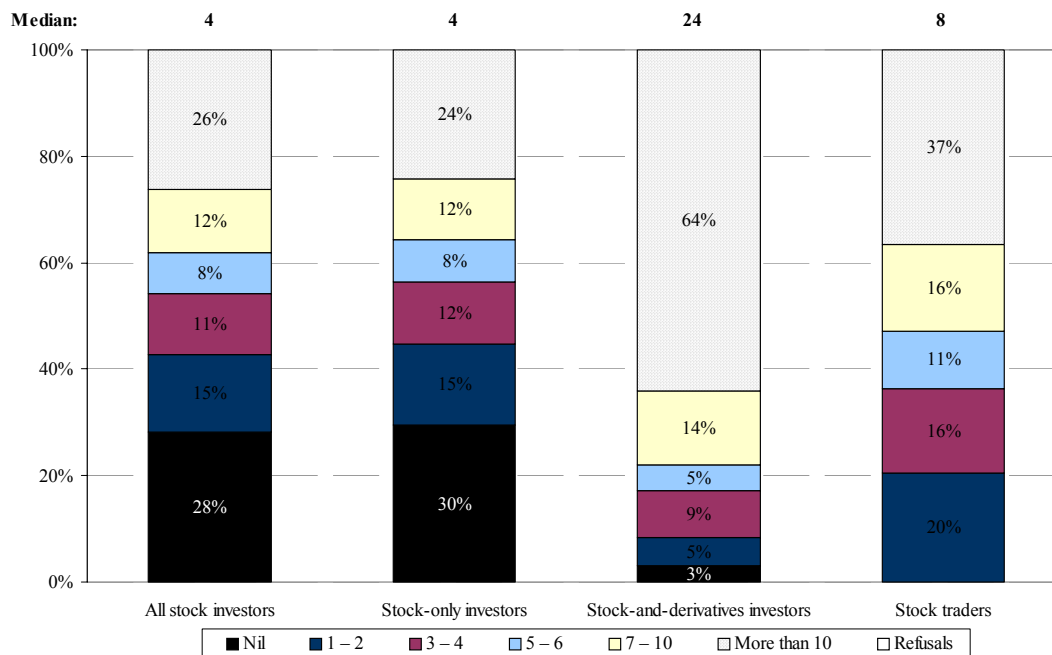


“-” Not available.

Note: Numbers may not add up to 100% due to rounding.

Stock-and-derivatives investors tended to trade more frequently than stock-only investors — they had a higher median number of stock transactions (24 vs 4 for stock-only investors) and a larger proportion making more than 10 transactions in the 12-month period (64% vs 24% for stock-only investors).

Figure 5. Number of stock transactions in the past 12 months by stock investor type (2004)



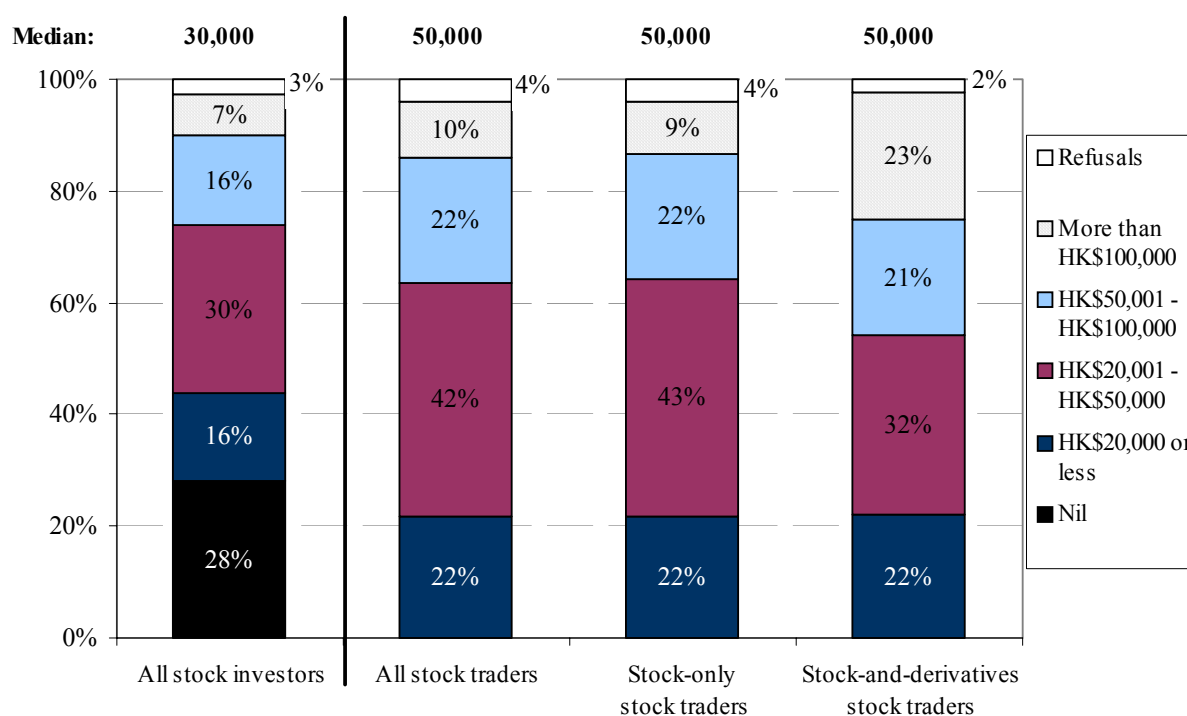
Note: Numbers may not add up to 100% due to rounding.

The average value per stock transaction by stock investors had a median of HK\$30,000.⁵ 7% of stock investors had an average stock transaction value of more than HK\$100,000. Among all stock investors (i.e. including those who did not trade), the average value per stock transaction by stock-and-derivatives investors had a median of HK\$50,000, higher than the HK\$30,000 for stock-only investors.

If those who had not traded for the period were excluded, the average value per stock transaction by stock traders had a median of HK\$50,000; 10% of them had an average value per stock transaction of more than HK\$100,000.

Among stock traders only, the average value per stock transaction by stock-and-derivatives stock traders had the same median of HK\$50,000 as stock-only stock traders. However, a much larger proportion of stock-and-derivatives stock traders had an average stock transaction value more than HK\$100,000 than that for stock-only stock traders (23% vs 9% for stock-only stock traders).

Figure 6. Average value per stock transaction in the past 12 months by stock investor type (2004)



Notes:

1. Numbers may not add up to 100% due to rounding.
2. Excluding outliers.

⁵ In Retail Investor Survey 2001, the usual value per stock transaction was assessed and a median of HK\$30,000 was obtained as the usual transaction value among retail stock investors. Since the question asked in 2004 was somewhat different, direct comparison between the two years' findings on transaction value is not possible.

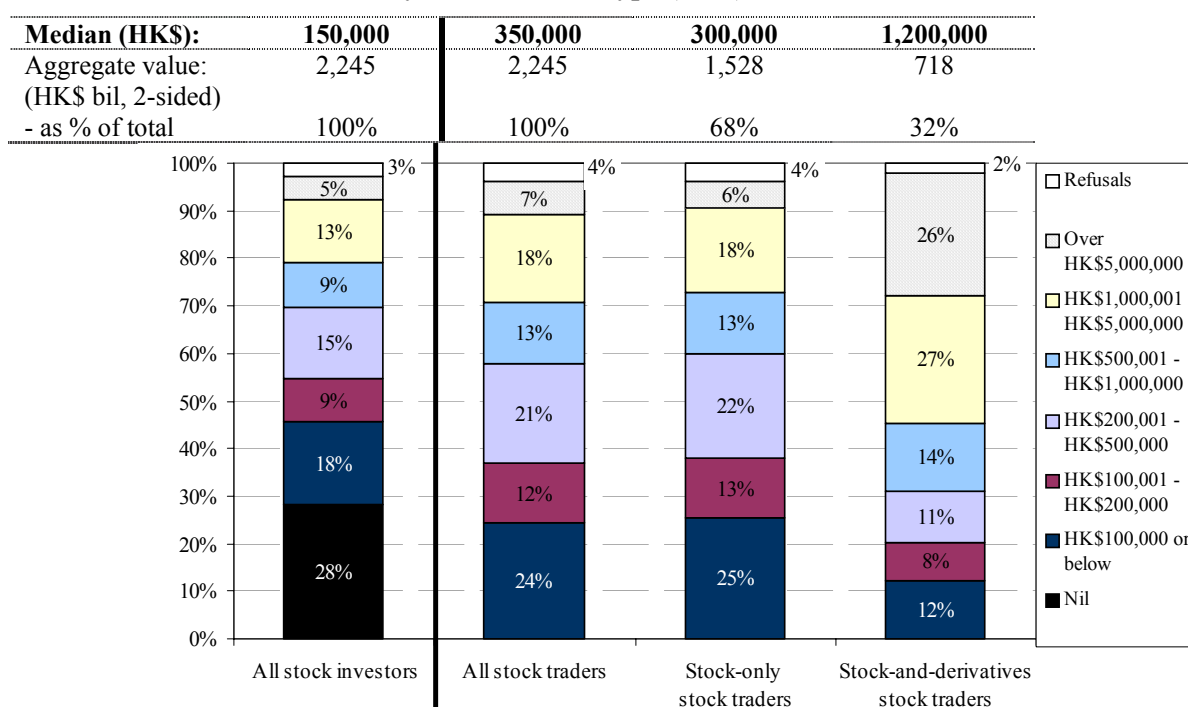
The implied total transaction value in the 12-month period was calculated by multiplying each respondent's number of stock transactions by his/her average value per stock transaction.⁶

Stock investors had a median implied total transaction value of HK\$150,000 in the 12-month period. Among all stock investors (i.e. excluding those who did not trade), stock-and-derivatives investors had a median implied total transaction value of HK\$1 million, 8 times as much the HK\$120,000 for stock-only investors.

Among stock traders only, stock-and-derivatives stock traders had a median implied total transaction value of HK\$1.2 million, 4 times as the HK\$300,000 for stock-only traders.

In aggregate, the implied total transaction value from all stock investors in Hong Kong was HK\$2,245 billion during the 12-month period⁷. Although stock-and-derivatives investors only accounted for 5.4% of all stock investors, they contributed 32% of the total implied transaction value made by all stock investors.

Figure 7. Implied total transaction value in the past 12 months by stock investor type (2004)



Note:

- Numbers may not add up to 100% due to rounding.
- Excluding outliers.

⁶ Since a respondent's answers on the number of stock transactions and the average value per transaction were based on his/her own estimate only, the calculated implied total transaction value during the period may deviate from the actual total transaction value.

⁷ The implied total transaction value from all stock investors in the Hong Kong adult population is a projected figure based on the implied transaction values of respondents (excluding outliers) in the survey and the projected number of stock investors in the population. The figure was two-sided, i.e. both buy and sell sides for a transaction were counted.

Stock investors who traded more frequently tended to have a larger average value per stock transaction and a larger implied total transaction value in the 12-month period.

The average value per stock transaction of medium- and high-frequency stock traders (who respectively traded 5 – 10 times and more than 10 times in the 12-month period) had a median of HK\$50,000, higher than the HK\$40,000 for low-frequency stock traders (who traded 1 - 4 times in the period). Notably, one-third of low-frequency stock traders had an average transaction value of HK\$20,000 or less, compared to only 14% for high-frequency stock traders.

High-frequency stock traders had a median implied total transaction value of HK\$1.5 million during the period, more than the medium- and low-frequency stock traders who respectively had a median implied total transaction value of HK\$350,000 and HK\$90,000. Nearly 60% of low-frequency stock traders had an implied total transaction value of HK\$100,000 or less, compared to only 2% of high-frequency stock traders.

High-frequency stock traders were the major contributors to the aggregate turnover value by all stock investors (92%), although they accounted for only 26% of all stock investors.

Table 6. Trading pattern of stock investors by trading frequency (2004)

	All stock traders	Trading frequency		
		Low (1 – 4 times)	Medium (5 – 10 times)	High (>10 times)
<i>In the past 12 months ending October 2004</i>				
As % of all stock investors	71.9%	26.1%	19.5%	26.3%
<i>Average value per stock transaction</i>				
≤ HK\$20,000	21.3%	33.0%	17.0%	14.0%
> HK\$100,000	10.2%	10.0%	8.4%	11.8%
Median* ('000)	50	40	50	50
<i>Implied total stock transaction value</i>				
≤ HK\$100,000	24.4%	58.5%	9.6%	1.6%
> HK\$1,000,000	18.2%	0.8%	8.4%	62.0%
Median* ('000)	350	90	350	1,500
<i>Aggregate implied total stock transaction value by all stock investors</i>				
Aggregate value* (HK\$ bil, 2-sided)	2,245	54	138	2,053
As % of total by all stock investors	100%	2%	6%	92%

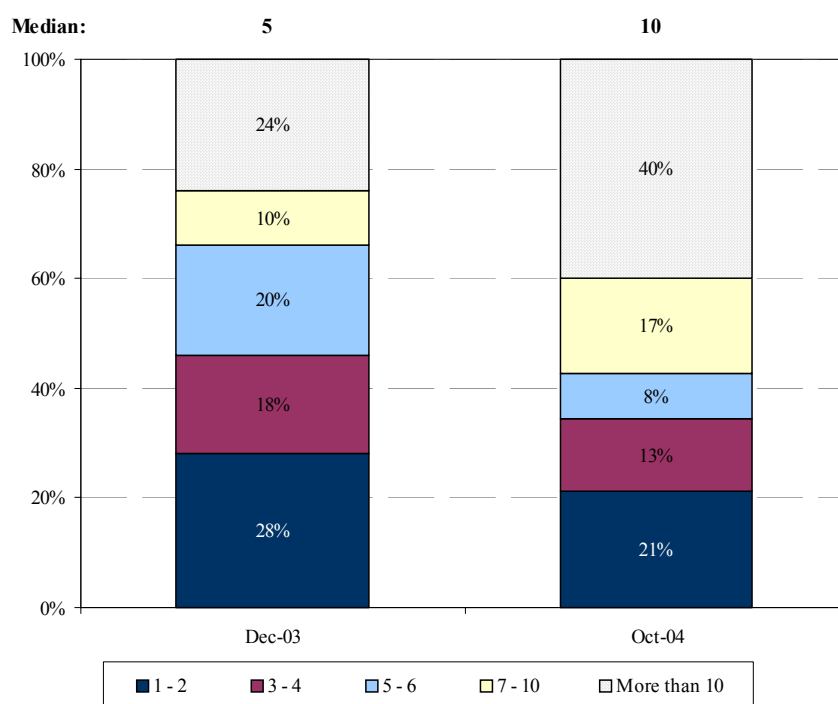
* Excluding outliers.

4.2 Trading pattern of derivatives investors

Derivatives investors did a median of 10 derivatives transactions during the 12-month period, up from a median of 5 in 2003. The proportion of derivatives investors having more than 10 transactions during the 12-month period was 40%, much higher than the 24% in 2003.

The average number of contracts per transaction by derivatives investors had a median of 2; and the implied total contract volume during the 12-month period had a median of 30⁸. In aggregate, the implied total contract volume from all derivatives investors in Hong Kong was 12 million contracts during the 12-month period.⁹

Figure 8. Number of derivatives transactions in the past 12 months (2003 – 2004)

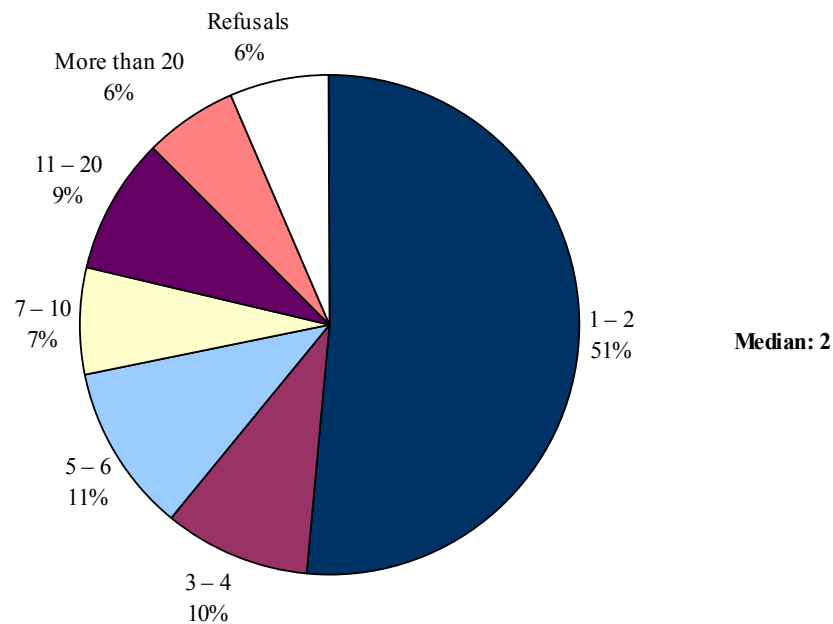


Note: Numbers may not add up to 100% due to rounding.

⁸ The implied total contract volume during the 12-month period was calculated by multiplying each respondent's number of derivatives transactions by his/her average number of contracts per derivatives transaction. Since a respondent's answers on the number of derivatives transactions and the average volume per transaction were based on his/her own estimate only, the calculated implied total contract volume during the period may deviate from the actual total contract volume.

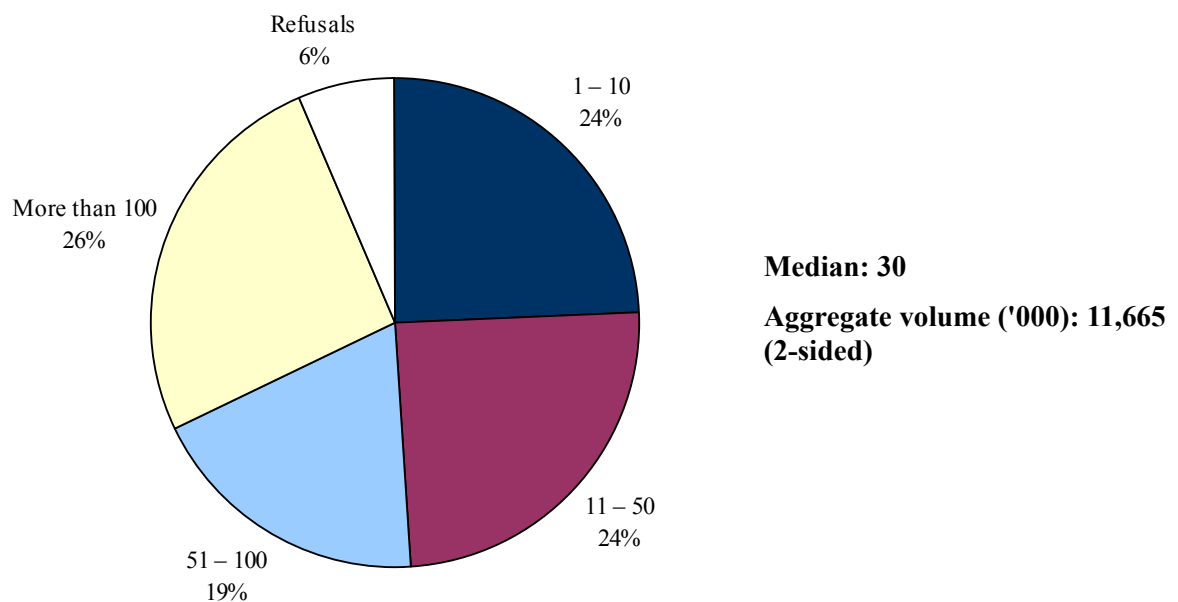
⁹ The implied total contract volume from all derivatives investors in the Hong Kong adult population is a projected figure based on the implied transaction volumes of respondents (excluding outliers) in the survey and the projected number of derivatives investors in the population. The figure was two-sided, i.e. both buy and sell sides for a transaction were counted.

Figure 9. Average contract volume per transaction by derivatives investors in the past 12 months (2004)



Note: Numbers may not add up to 100% due to rounding.

Figure 10. Implied total contract volume by derivatives investors in the past 12 months (2004)



Notes:

1. Numbers may not add up to 100% due to rounding.
2. Excluding outliers.

5. ONLINE TRADERS

5.1 Incidence and proportion of online stock traders and online derivatives traders

Among stock investors, 26% had traded stocks via electronic media such as the Internet in the past 12 months ending October 2004, either always or sometimes (referred to as online stock traders). The proportion was up from 21% in 2003, back to a similar level of 27% in 2002. These online stock traders made up 36% of stock traders, up from 30% in 2003 but still less than 44% in 2002. (Figure 11)

Compared to stock-only investors, a larger proportion of stock-and-derivatives investors were online stock traders (47% vs 25%). (Figure 12)

Of the online stock traders, 78% relied mainly on online media to trade — 65% traded online all the time and 13% traded online most of the time — down from 81% in 2003 and similar to the 77% in 2002. However, in 2004, a larger proportion of online stock traders traded online all the time (65%, up from 55% in 2003 and 60% in 2002). (Figure 13)

Figure 11. Trend of online stock traders (2000 – 2004)

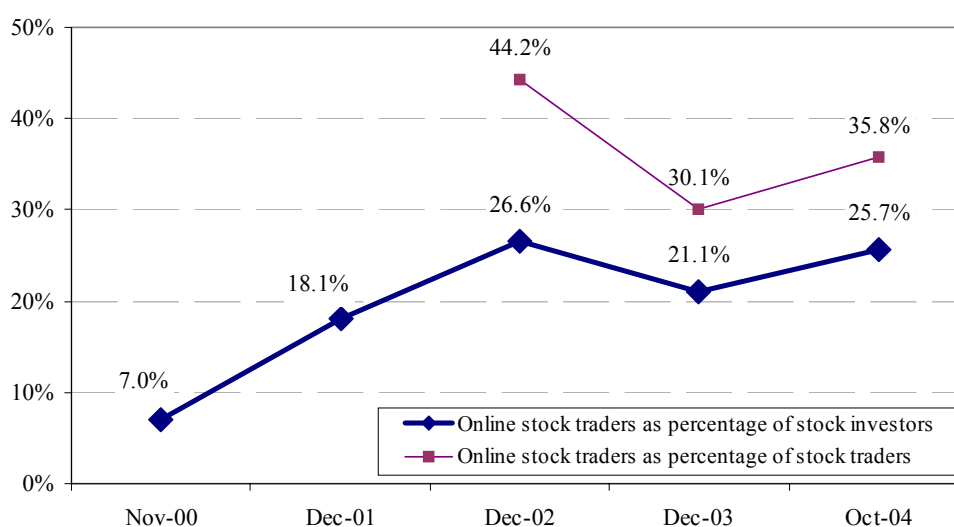


Figure 12. Proportion of different stock investor types as online stock traders (2004)

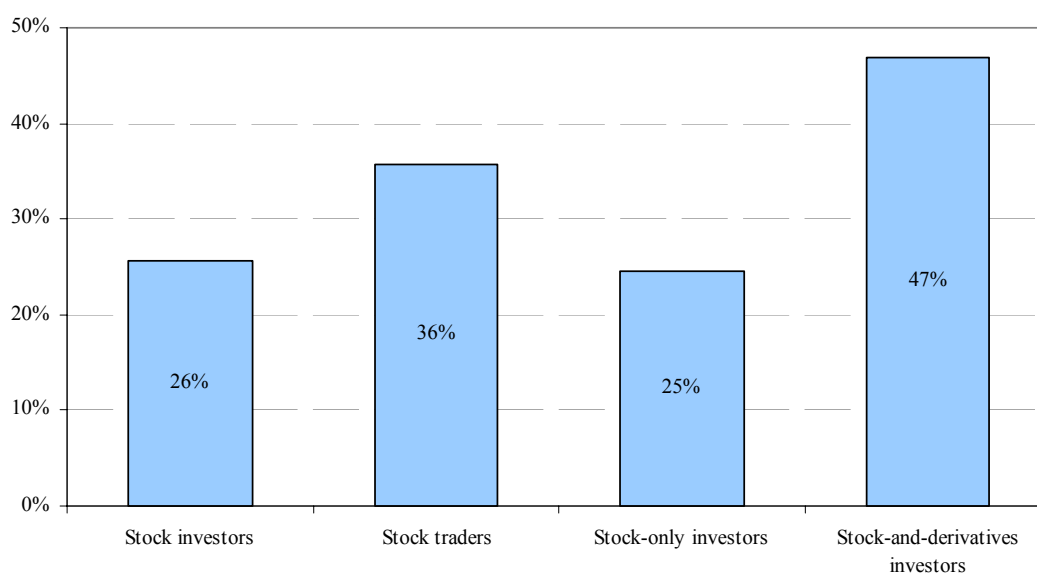
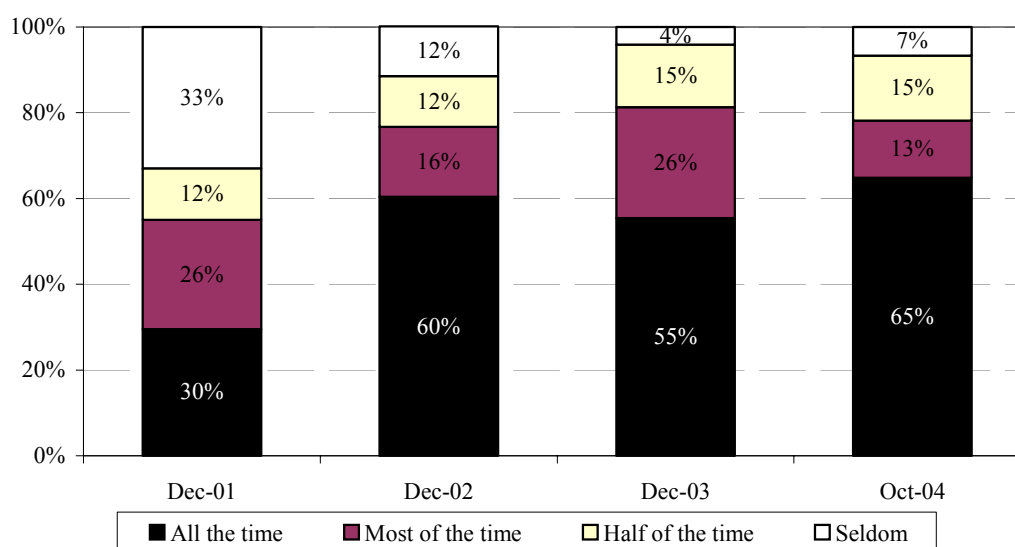


Figure 13. Usage of online stock trading among online stock traders (2001 – 2004)



Note: Numbers may not add up to 100% due to rounding.

Among derivatives investors, 29% had traded derivatives via online media in the 12 months ending October 2004, either always or sometimes (referred to as online derivatives traders), up from 26% in 2003 to a similar level in 2002. (Figure 14)

Of the online derivatives traders, 66% relied heavily on online media to trade — 60% traded online all the time and 6% traded online most of the time — down from 77% in 2002. However, in 2004, a larger proportion of online derivatives traders traded online all the time (60%, up from 55% in 2003). (Figure 15)

It should be noted that the findings on derivatives investors are subject to relatively large error due to the small size of the sample of derivatives investors in the survey. Therefore, caution is needed in interpreting the findings on derivatives investors.

Figure 14. Trend of derivatives investors as online derivatives traders (2002 – 2004)

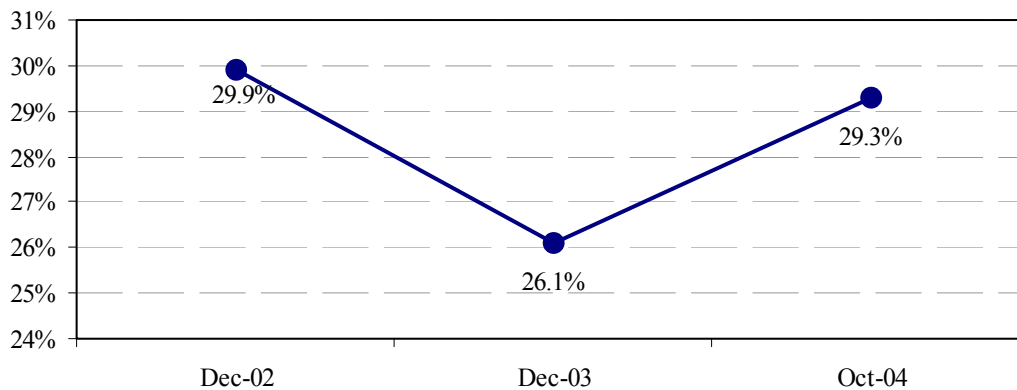
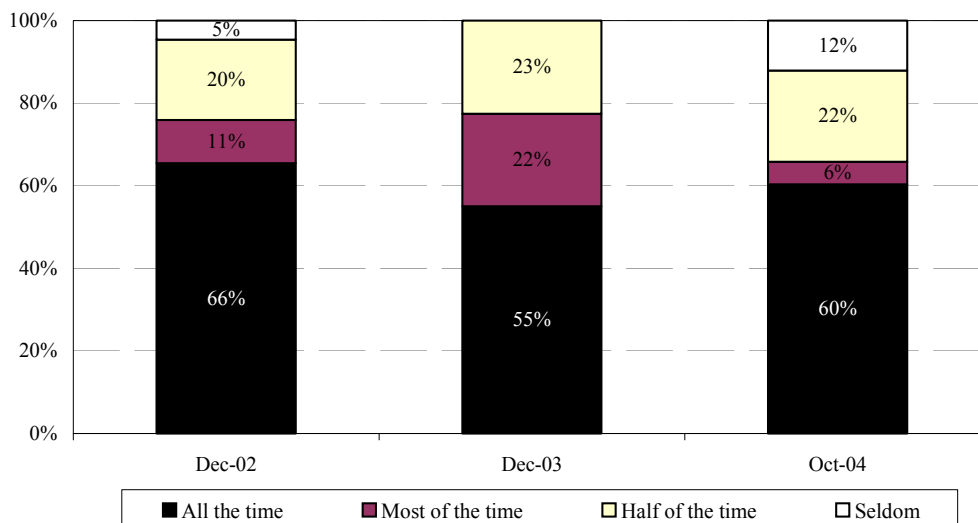


Figure 15. Usage of online derivatives trading among online derivatives traders (2002 – 2004)



Note: Numbers may not add up to 100% due to rounding.



5.2 Profile of online stock traders

The typical online stock trader is a 37 year-old manager/administrator/professional or white-collar worker, with tertiary or above education and a monthly personal income of HK\$22,500.

In 2004, 65% of online stock traders were males, a similarly high level as in 2003 and 2002. The proportion of online stock traders with tertiary or above education was 57%, similar to 58% in 2003 but up from 45% in 2002. The distribution of online stock traders by occupation in 2004 was similar to that in 2003 — the largest group were managers/administrators/professionals (36% in 2004 vs 34% in 2003) and white collar workers (32% in 2004 vs 34% in 2003). The median monthly personal income was HK\$22,500 in 2004, the same as in 2003 and 2002.

Compared to non-online stock traders, online stock traders comprise a larger proportion of males (65% vs 55% for non-online stock traders), younger persons (a median age of 37 vs 47 for non-online stock traders), individuals with higher education level (57% with tertiary or above education vs 30% for non-online stock traders), higher work status (36% being managers/administrators/professionals vs 16% for non-online stock traders) and higher monthly personal income (HK\$22,500 vs HK\$16,250 for non-online stock traders).

Note: The sample obtained on online derivatives traders was too small to produce inferential statistics on their profile.

Table 7. Profiles of online and non-online stock traders (2004)

(%)	Stock investors	Stock traders	Non-online stock traders	Online stock traders		
				<u>Dec 02</u>	<u>Dec 03</u>	<u>Oct 04</u>
Sex						
Male	58.7	58.5	55.1	61.1	68.0	64.6
Female	41.3	41.5	44.9	38.9	32.0	35.4
Age						
18 – 19	0.4	0.6	0.9	1.9	-	-
20 – 29	10.6	10.3	8.2	11.9	13.4	13.9
30 – 39	25.9	28.0	21.3	43.1	47.7	40.1
40 – 49	34.1	33.6	32.9	31.1	19.0	34.9
50 – 59	18.3	17.8	23.3	6.6	14.6	8.0
60 or over	10.8	9.7	13.4	5.5	5.4	3.1
Median	42	42	47	37	37	37
Education level						
No schooling / kindergarten	1.1	1.1	1.7	-	-	-
Primary	8.2	8.4	11.1	4.7	2.7	3.4
Lower secondary	15.5	15.4	18.1	9.3	12.2	10.6
Upper secondary	30.9	29.7	33.0	33.0	21.5	23.8
Matriculation	6.1	5.9	6.1	7.7	5.5	5.5
Tertiary or above	38.1	39.4	29.8	45.2	58.0	56.7
Refusals	0.1	0.2	0.2	-	-	-
Occupation						
Managers / administrators / professionals	22.7	23.6	16.4	33.9	33.5	36.4
White collar	27.6	27.8	25.6	25.6	33.5	31.8
Blue collar	19.6	18.0	21.7	16.2	12.3	11.3
Homemakers	12.5	13.4	15.9	12.3	8.4	8.8
Retirees	10.9	10.0	13.0	5.5	6.7	4.5
Students	0.7	0.9	1.2	2.7	-	0.4
Unemployed persons	2.7	3.1	3.8	2.8	2.8	1.7
Others	0.3	0.4	0.4	-	-	0.4
Refusals	3.0	2.9	1.9	0.9	2.8	4.7
Median monthly personal income (HK\$) *	18,750	18,750	16,250	22,500	22,500	22,500
Median monthly household income (HK\$)	27,500	35,000	27,500	35,000	35,000	35,000

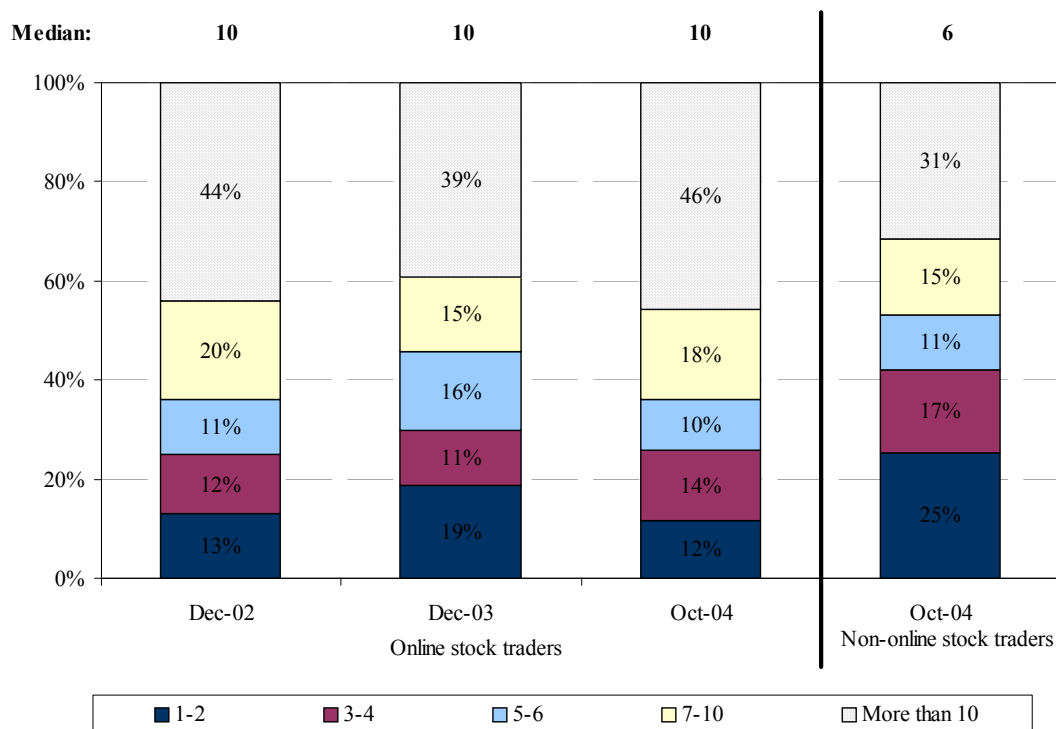
* Among those who were engaged in full-time or part-time employment.

Note: Numbers may not add up to 100% due to rounding.

5.3 Trading pattern of online stock traders

The median number of stock transactions by online stock traders during the 12-month period ending October 2004 was 10, the same as in 2003 and 2002. The proportion of online stock traders with more than 10 transactions increased from 39% in 2003 to 46% in 2004. Compared with non-online stock traders, online stock traders tended to trade more frequently (a median of 10 stock transactions vs 6 for non-online stock traders).

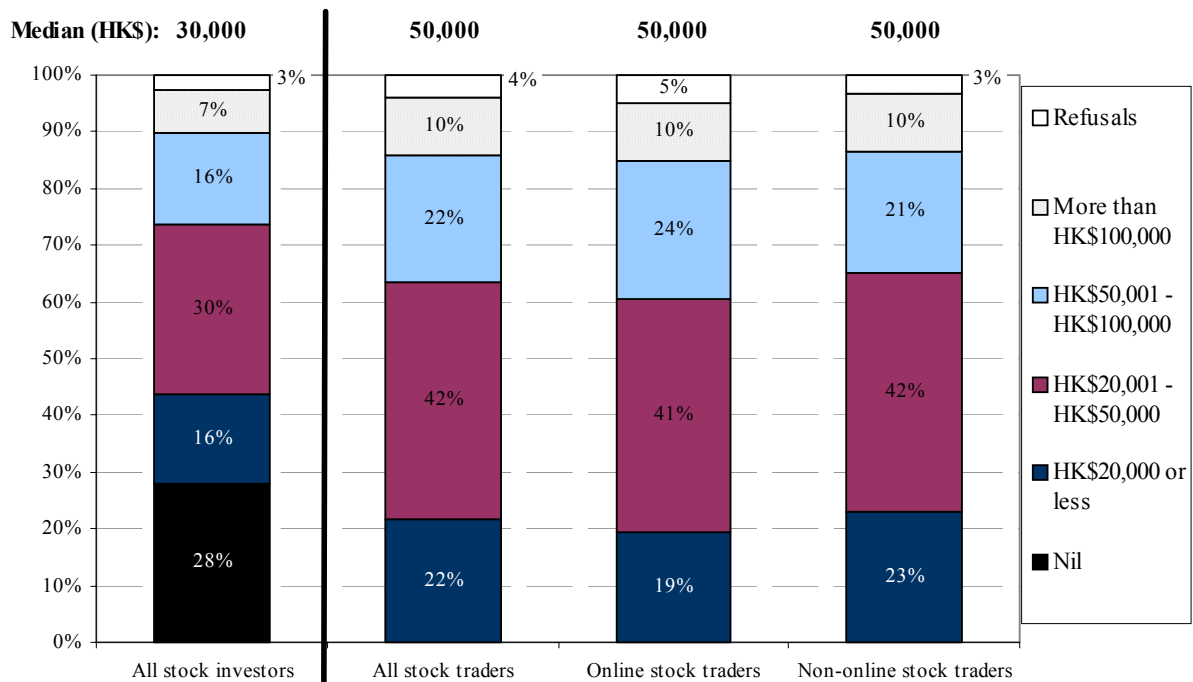
Figure 16. Number of stock transactions in the past 12 months by online stock traders (2002 – 2004)



Note: Numbers may not add up to 100% due to rounding.

The average value per stock transaction by online stock traders had a median of HK\$50,000 in 2004, the same as that by non-online stock traders. In fact, online and non-online stock traders had a similar pattern of distribution by average value per stock transaction.

Figure 17. Average value per stock transactions in the past 12 months by online and non-online stock traders (2004)



Notes:

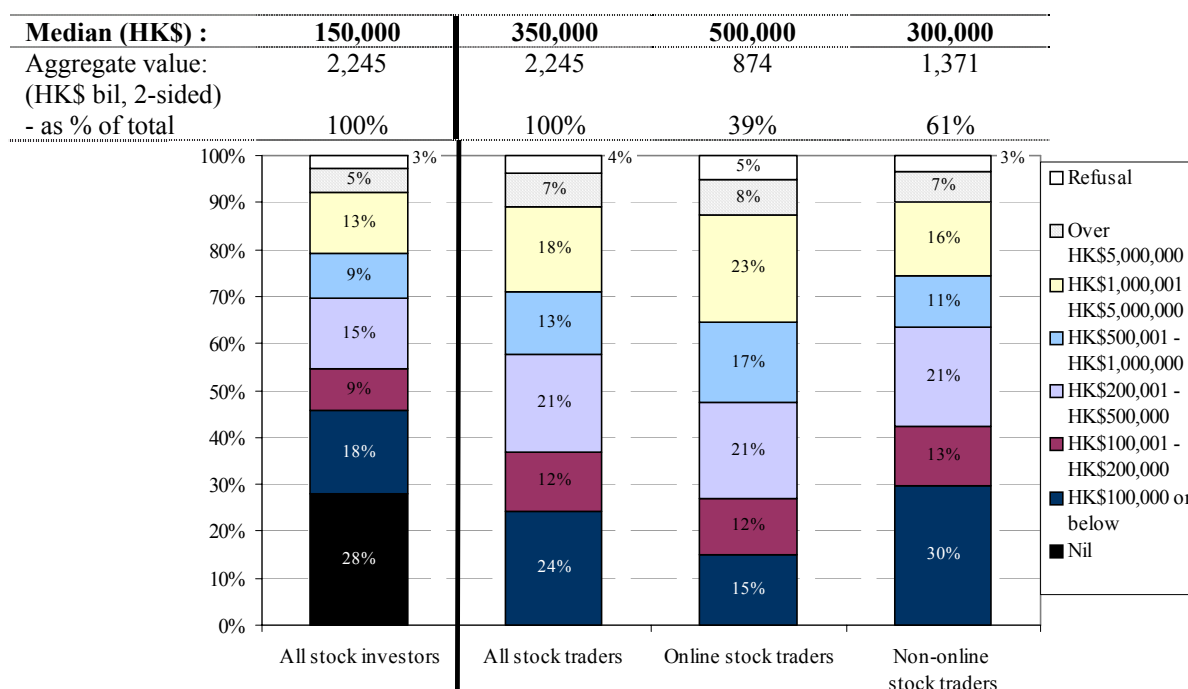
1. Numbers may not add up to 100% due to rounding.
2. Excluding outliers.

Overall, compared to non-online stock traders, online stock traders tended to trade more frequently with similar average value per stock transaction, making a higher implied total stock transaction value during the 12-month period.

The implied total transaction value in the 12-month period by online stock traders had a median of HK\$500,000, higher than the HK\$300,000 by non-online stock traders. 31% of online stock traders had an implied total transaction value of over HK\$1 million during the period, more than the 22% for non-online stock traders.

In aggregate, the implied total transaction value from all online stock traders in Hong Kong was HK\$874 billion during the 12-month period, representing 39% of the total transaction value by all stock investors. *(It should be noted that online stock traders may not do all stock transactions online. The figures do not represent the aggregate online stock transaction value during the period.)*

Figure 18. Implied total transaction value in the past 12 months by online and non-online stock traders (2004)



Note:

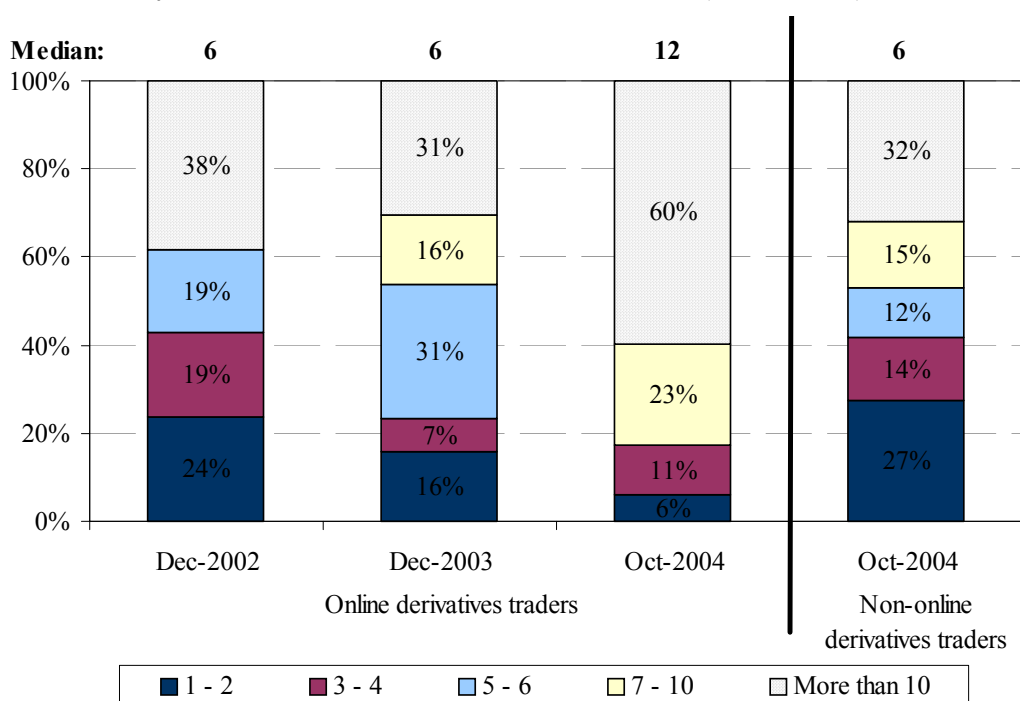
1. Numbers may not add up to 100% due to rounding.
2. Excluding outliers.

5.4 Trading pattern of online derivatives traders

Online derivatives traders tended to trade more frequently than non-online derivatives traders.

Online derivatives traders did a median of 12 derivatives transactions during the 12-month period ending October 2004, up from 6 in 2003 and 2002 and higher than the 6 transactions for non-online derivatives traders. 60% of online derivatives traders did more than 10 derivatives transactions during the period, compared to just 32% for non-online derivatives traders.

Figure 19. Number of derivatives transaction in the past 12 months by online and non-online derivatives traders (2002 – 2004)

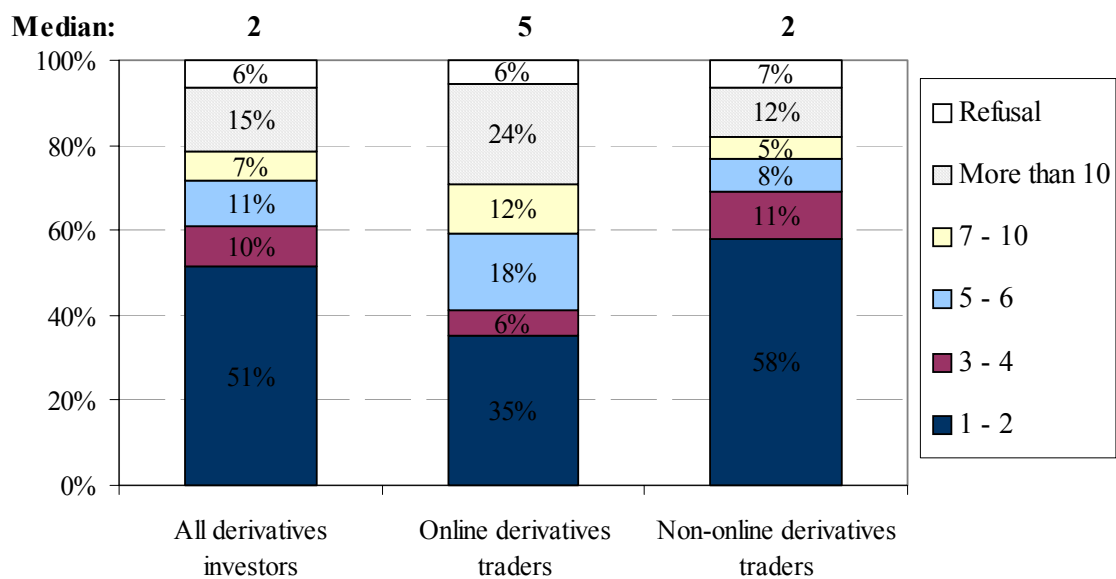


Note: Numbers may not add up to 100% due to rounding.

Online derivatives traders tended to have a larger average deal size than non-online derivatives traders.

The average volume per derivatives transaction by online derivatives traders during the 12-month period had a median of 5 contracts, compared to 2 for non-online derivatives traders. 24% of online derivatives traders had an average deal size of more than 10 contracts, double the 12% for non-online derivatives traders.

Figure 20. Average contract volume per derivatives transaction in the past 12 months by online and non-online derivatives traders (2004)

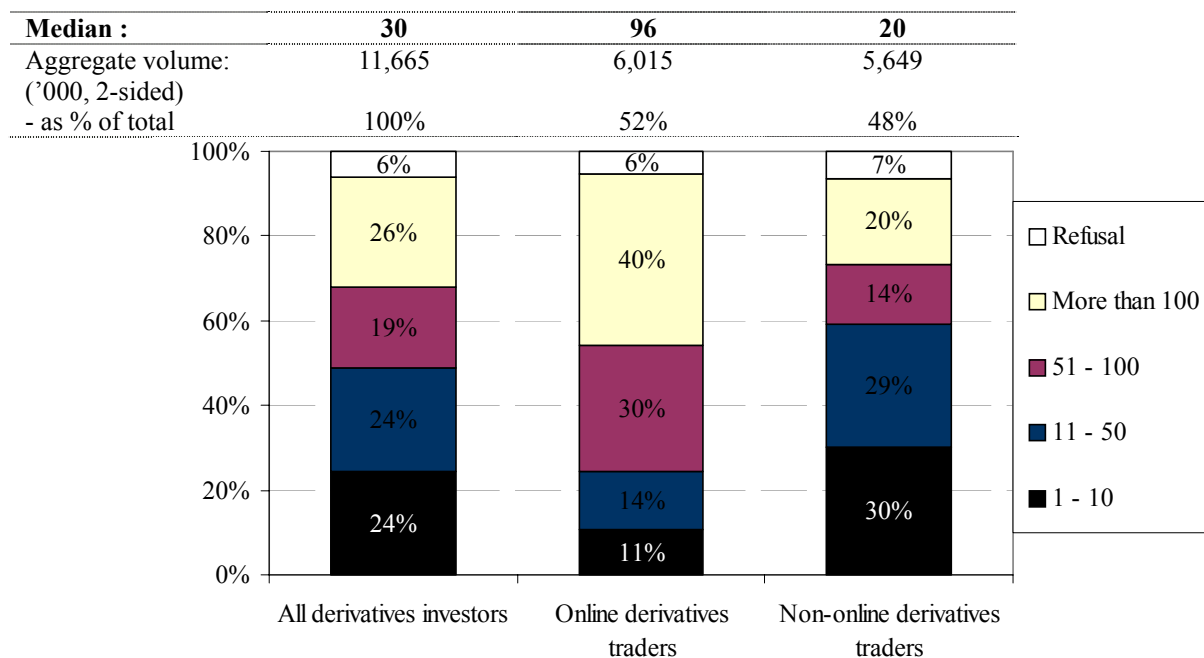


Note: Numbers may not add up to 100% due to rounding.

The implied transaction volume by online derivatives traders in the 12-month period had a median of 96 contracts, compared to 20 for non-online derivatives traders. 40% of online derivatives traders had a transaction volume of over 100 contracts during the period, doubled the 20% for non-online derivatives traders.

In aggregate, the implied total contract volume from all online derivatives traders was 6 million during the 12-month period, representing 52% of the total transaction volume made by all derivatives investors. *(It should be noted that online derivatives traders may not do all derivatives transactions online. The figures do not represent the aggregate online derivatives contract volume during the period.)*

Figure 21. Implied total contract volume by online and non-online derivatives traders in the past 12 months (2004)



Note:

1. Numbers may not add up to 100% due to rounding.
2. Excluding outliers.



6. PERCEPTIONS OF HKEX MARKETS

6.1 Perceptions of the stock market

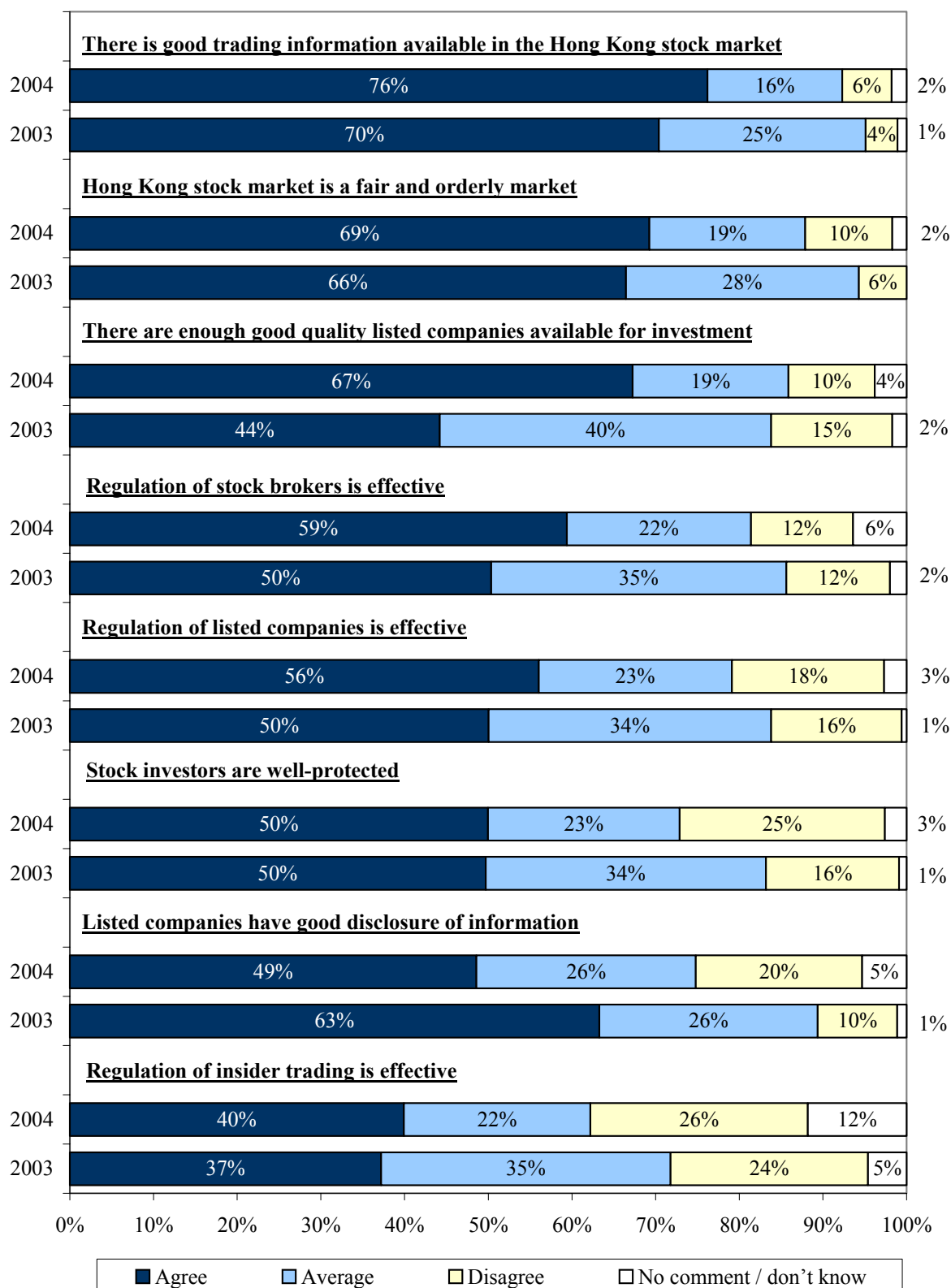
Stock investors' perceptions in eight aspects of the stock market were assessed. The satisfaction level improved from 2003 for most aspects. Below are the detailed findings.

Stock investors were generally positive about the following aspects, to a similar or higher degree than in 2003:

- There was good trading information available (76% agreed vs 6% disagreed); the satisfaction level was higher than in 2003 (70% agreed, 4% disagreed).
- The market was fair and orderly (69% agreed vs 10% disagreed); the satisfaction level was similar to that in 2003 (66% agreed, 6% disagreed).
- There were enough good quality listed companies available for investment (67% agreed vs 10% disagreed); the satisfaction level was higher than in 2003 (44% agreed, 15% disagreed).
- The regulation of stock brokers was effective (59% agreed vs 12% disagreed); the satisfaction level was higher than in 2003 (50% agreed, 12% disagreed);
- The regulation of listed companies was effective (56% agreed vs 18% disagreed); the satisfaction level was higher than in 2003 (50% agreed, 16% disagreed).

Stock investors were moderately positive about the following aspects, to a similar or lesser degree than in 2003:

- Stock investors were well-protected (50% agreed vs 25% disagreed); less positive than in 2003 (50% agreed, 16% disagreed).
- Listed companies had good disclosure of information (49% agreed vs 20% disagreed); less positive than in 2003 (63% agreed, 10% disagreed).
- The regulation of insider trading was effective (40% agreed vs 26% disagreed); similar to that in 2003 (37% agreed, 24% disagreed).

Figure 22. Perceptions of the Hong Kong stock market (2003 and 2004)


Note: Numbers may not add up to 100% due to rounding.



Comparison between frequent and non-frequent stock traders

The perceptions among investors with different trading frequency were compared to see if they had different perceptions. Stock investors who traded more than 10 times in the 12-month period were regarded as frequent traders; those who traded 1 – 10 times were regarded as non-frequent traders; and those who had not traded but only held stocks were regarded as non-trading stock investors. Figure 23 presents their respective perceptions of the stock market.

Frequent traders had a higher degree of satisfaction or a lower degree of dissatisfaction than non-frequent traders and non-trading stock investors on:

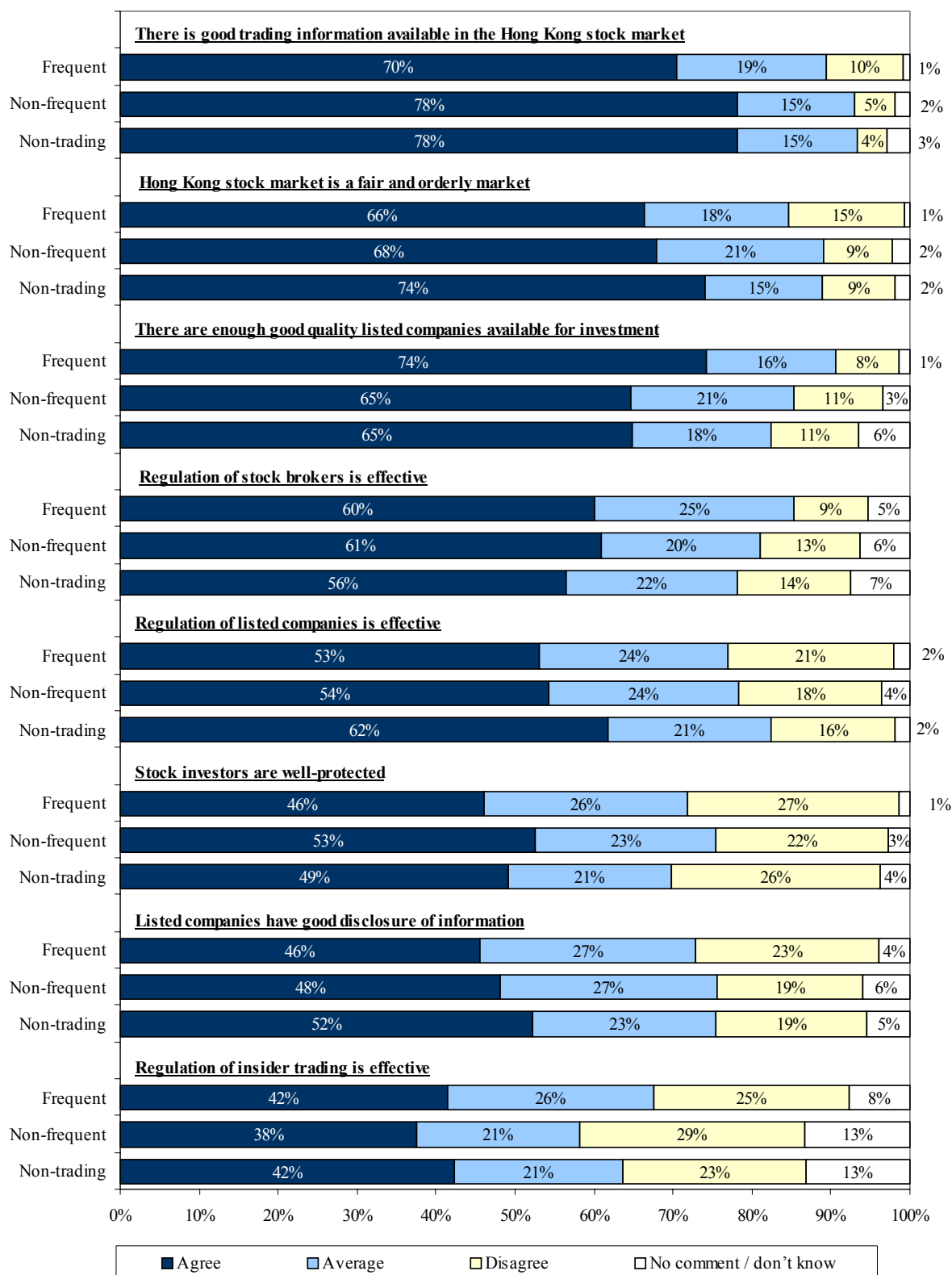
- enough good quality of listed companies available for investment;
- effective stock broker regulation.

Frequent traders had a lower degree of satisfaction than non-frequent traders and non-trading stock investors on:

- trading information available in the Hong Kong stock market;
- Hong Kong stock market being a fair and orderly market;
- effective regulation of listed companies;
- stock investors being well-protected;
- good disclosure of information by listed companies.

Stock traders of all three types of trading frequency had a similarly low degree of satisfaction on “effective regulation of insider trading”.

Figure 23. Comparison of perceptions of the Hong Kong stock market between frequent, non-frequent stock traders and non-trading stock investors* (2004)



* Frequent stock traders are stock traders traded more than 10 times in the 12-month period; non-frequent stock traders are stock traders traded 1 to 10 times in the 12-month period; non-trading stock investors are stockowners who had not traded stocks in the 12-month period.

Note: Numbers may not add up to 100% due to rounding.

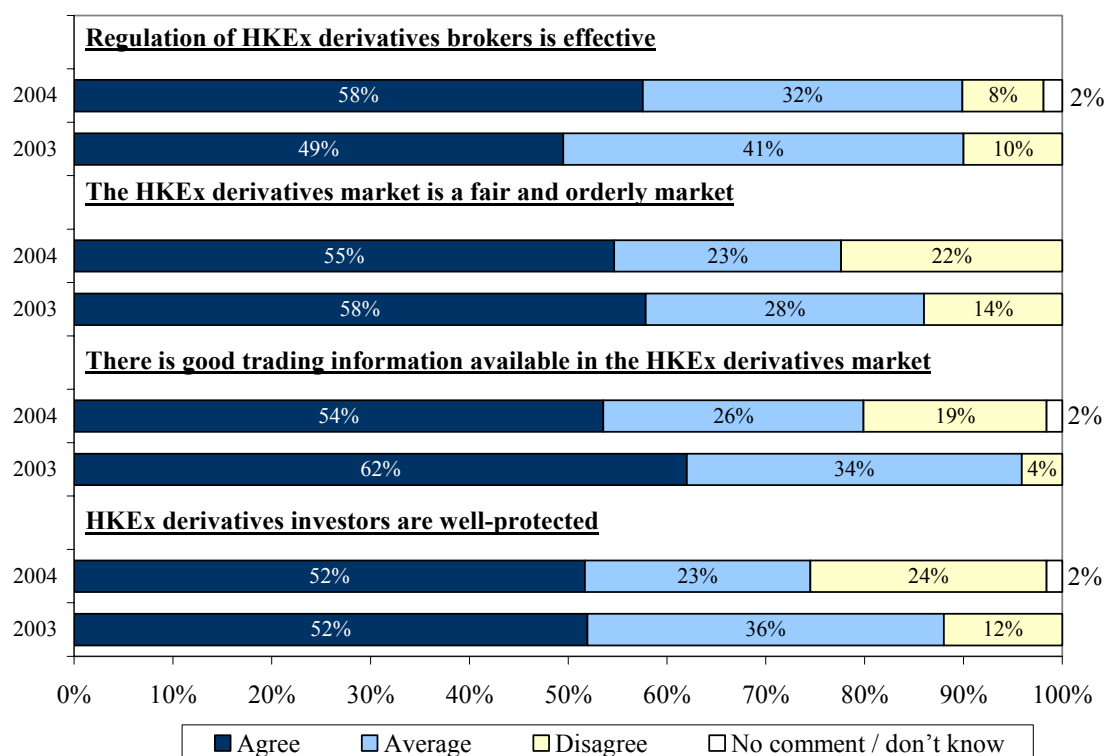
6.2 Perceptions of the derivatives market

The majority of derivatives investors agreed that regulation of HKEx derivatives brokers was effective (58% agreed vs 8% disagreed), the HKEx derivatives market was a fair and orderly market (55% agreed vs 22% disagreed), there was good trading information available in the HKEx derivatives market (54% agreed vs 19% disagreed) and HKEx derivatives investors were well-protected (52% agreed vs 24% disagreed).

Compared to the 2003 survey findings, derivatives investors had a higher degree of satisfaction on the effective regulation of HKEx derivatives brokers, but a lower degree of satisfaction and/or a higher degree of dissatisfaction on market fairness and orderliness, good trading information availability and investor protection.

Caution is needed in interpreting these findings because of the small size of the sample of derivatives investors.

Figure 24. Perceptions of the HKEx derivatives market (2003 and 2004)



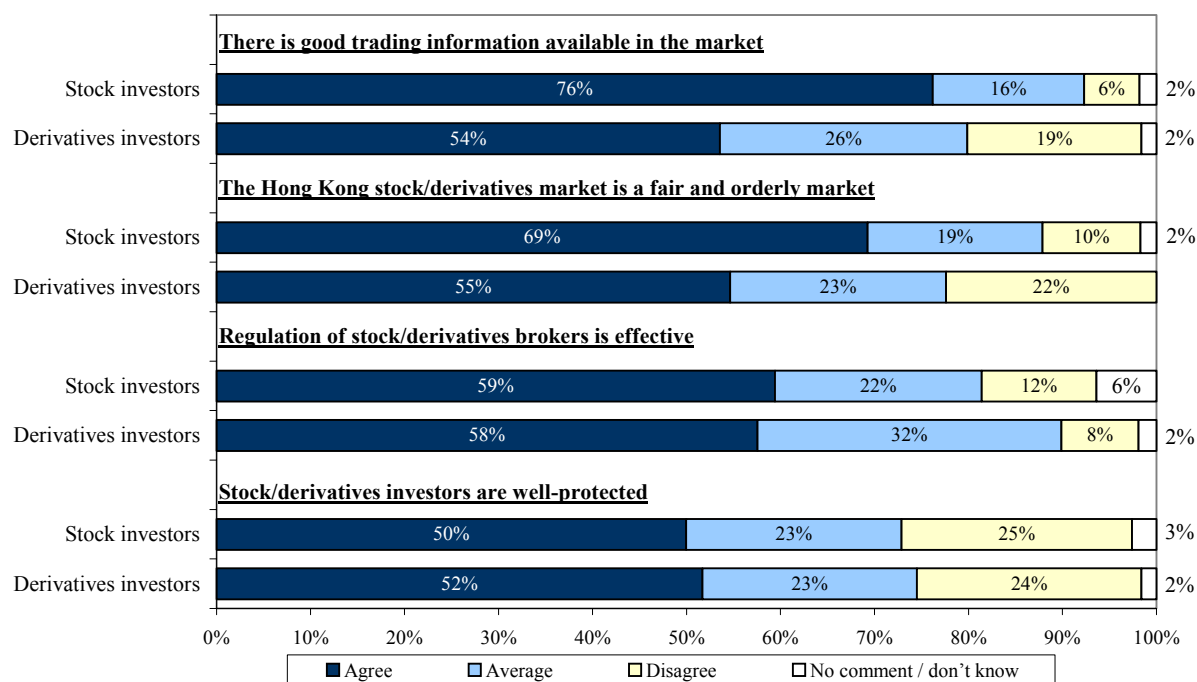
Note: Numbers may not add up to 100% due to rounding.

6.3 Perceptions of the stock market compared to perceptions of the derivatives market

Stock investors were more positive than derivatives investors on the trading information available in the respective markets (76% positive and 6% negative for the stock market vs 54% positive and 19% negative for the derivatives market) and fairness and orderliness of the market (69% positive and 10% negative for the stock market vs 55% positive and 22% negative for the derivatives market). Perceptions of stock investors and derivatives investors were similarly positive on the effectiveness of the regulation of brokers (59% positive and 12% negative for the stock market vs 58% positive and 8% negative for the derivatives market) and moderately positive on investor protection (50% positive and 25% negative for the stock market vs 52% positive and 24% negative for the derivatives market).

Caution is needed in interpreting these findings because of the small size of the sample of derivatives investors.

Figure 25. Perceptions of the Hong Kong stock market by stock investors and of the derivatives market by derivatives investors (2004)



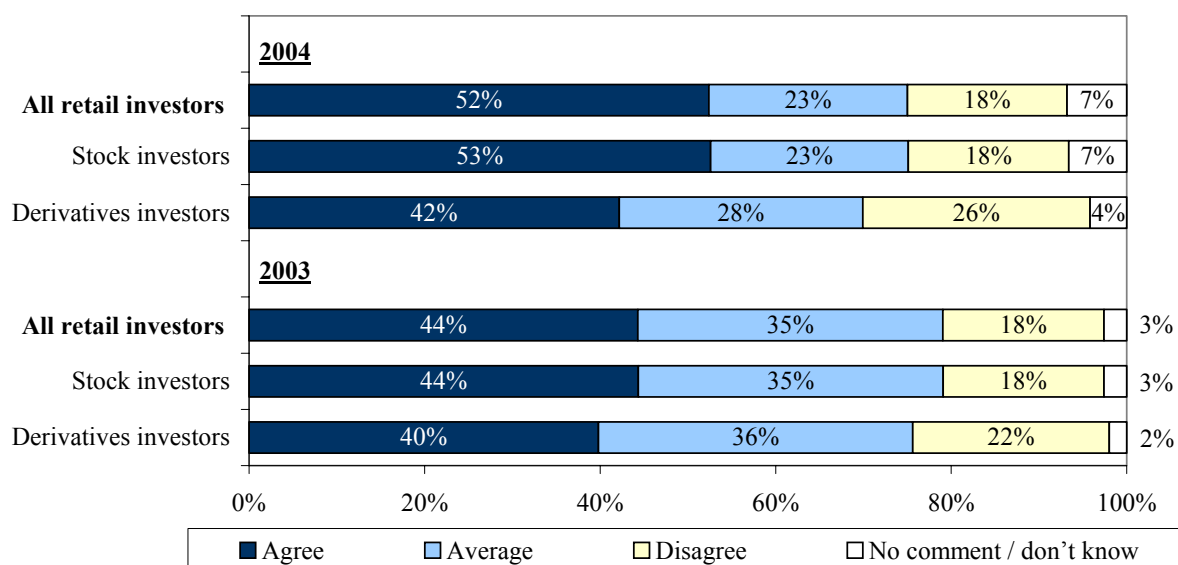
Note: Numbers may not add up to 100% due to rounding.

6.4 Perceptions of HKEx giving priority to the public interest

Among all retail investors, 52% agreed that HKEx gave priority to the public interest (vs 18% disagreed), a higher satisfaction level than in 2003 (44% agreed vs 18% disagreed).

In 2004, stock investors were more positive than derivatives investors on the priority given to the public interest by HKEx (53% positive and 18% negative for stock investors vs 42% positive and 26% negative for derivatives investors).

Figure 26. Perceptions of HKEx giving priority to the public interest (2003 and 2004)



Note: Numbers may not add up to 100% due to rounding.



GLOSSARY

<i>Stocks:</i>	Shares, warrants and Exchange Traded Funds (ETFs) listed or traded on HKEx.
<i>Derivatives:</i>	Futures and options traded on HKEx.
<i>Stockowner:</i>	An individual who was holding stocks at the time of the interview.
<i>Stock trader:</i>	An individual who had traded stocks in the past 12 months preceding the interview.
<i>Non-trading stock investor:</i>	A stockowner who had not traded stocks in the past 12 months preceding the interview.
<i>Stock investor:</i>	An individual who was holding stocks at the time of interview or had traded stocks in the past 12 months preceding the interview. (That is, the individual is a stockowner and/or a stock trader.)
<i>Derivatives investor:</i>	An individual who was holding derivatives at the time of the interview or had traded derivatives in the past 12 months preceding the interview.
<i>Retail investor:</i>	An individual who is a stock investor and/or a derivatives investor.
<i>Online stock trader:</i>	A stock trader who had traded stocks in the past 12 months preceding the interview through electronic media such as the Internet, either always or sometimes.
<i>Non-online stock trader:</i>	A stock trader who is not an online stock trader.
<i>Online derivatives trader:</i>	A derivatives investor who had traded derivatives in the past 12 months preceding the interview through electronic media such as the Internet, either always or sometimes.
<i>Non-online derivatives trader:</i>	A derivatives investor who is not an online derivatives trader.
<i>Non-investor:</i>	An individual who is neither a stock investor nor a derivatives investor.



APPENDIX 1. SURVEY METHODOLOGY

(1) Methodology

The survey fieldwork was conducted in October 2004. A random sampling process was adopted to select individuals aged 18 or above in the Hong Kong population. Selected individuals were interviewed through telephone in accordance with a structured questionnaire. The survey was conducted in two stages of random sampling. The first stage was to find out the incidence of retail stock participation among the adult population. In this stage, 2,023 individuals were interviewed, of which 491 were stock investors and 30 were derivatives investors. The second stage was to interview an additional sample of stock investors to boost the sample size of stock investors to over 1,000, thereby providing more reliable analysis results on this investor type. In this stage, 512 additional stock investors were interviewed; among them, 26 were also derivatives investors. In total, 2,535 individuals were interviewed, of which 1,003 were stock investors and 56 were derivatives investors.

(2) Limitations

- Since the survey findings are projected figures/estimates concerning the whole Hong Kong adult population, they are subject to sampling error. For stock investors, the sample size is regarded as large enough to produce survey findings with acceptable levels of precision. For derivatives investors, in respect of whom the number in the sample was much smaller, the findings are subject to bigger possible error.
- Some responses were perceptions or estimates of respondents that might deviate from the truth, such as frequency of trading.
- Respondents might intentionally not tell the truth on sensitive questions such as income level.

(3) Comparability with past surveys

Since the 2001 survey, the definition of “Hong Kong stocks” includes shares, warrants and Exchange Traded Funds (ETFs). In prior surveys, it referred to shares, warrants and stock options, these being SEHK’s products at that time. Nevertheless, the proportion of stock investors who invested exclusively in stock options but not shares was negligible. The incidence of retail stock investment should be comparable.

The definition of “adults” in surveys before 1997 referred to individuals aged 21 or above. Since 1997, the definition was revised to individuals aged 18 or above.

Minor amendments were made to the definition of online stock traders in the past surveys. In the 2000 survey, online traders were stock investors who had placed orders via Internet in the past 12 months preceding the interview. In 2001 survey, online traders were stock investors who had traded stocks through electronic media such as the Internet and mobile phone, either always or sometimes. Since 2002, this definition was confined to trading in the past 12 months preceding the interview. Such amendment of the definition is expected to have little material impact on the comparability of the findings.

APPENDIX 2. RESPONDED SAMPLE BY INVESTOR TYPE

Investor type	Number in responded sample ¹⁰
Retail investors	1,005
<u>Stock investors</u>	1,003
Stockowners	936
Stock-only investors	949
Stock-and-derivatives investors	54
Stock traders	721
Online stock traders	254
<u>Derivatives investors</u>	56
Derivatives-only investors	2
Stock-and-derivatives investors	54
Derivatives traders	56
Online derivatives traders	17
Non-investors	1,530
Total sample	2,535

APPENDIX 3. PRECISION OF SURVEY FINDINGS

Table A. Relative errors of the proportion of the various investor types

Investor type	Proportion	Relative error ¹¹	95% confidence interval
<u>Among adult population</u>			
Stock investors	24.4%	3.5%	22.8% - 26.1%
Stockowners	22.8%	3.7%	21.2% - 24.4%
Stock-only investors	23.1%	3.6%	21.5% - 24.8%
Stock-and-derivatives investors	1.3%	17.1%	0.9% - 1.8%
Stock traders	17.6%	4.3%	16.1% - 19.1%
Derivatives investors	1.4%	16.5%	1.0% - 1.9%
<u>Among stock / derivatives investors</u>			
Online stock traders	25.7%	5.43%	23.0% - 28.4%
Online derivatives traders	29.3%	20.8%	17.4% - 41.2%

Table B. Relative errors of the projected number of the various investor types

Investor type	Estimated population ('000)	Relative error ¹⁰	95% confidence interval ('000)
Stock investors	1,354	3.5%	1,261 – 1,447
Stockowners	1,264	3.7%	1,173 – 1,354
Stock-only investors	1,280	3.6%	1,189 – 1,371
Stock-and-derivatives investors	74	17.1%	49 – 98
Stock traders	973	4.3%	891 – 1,055
Online stock traders	348	5.4%	312 – 385
Derivatives investors	80	16.5%	54 – 105
Online derivatives traders	23	29.3%	14 – 33

*** End ***

¹⁰ Since the survey adopts a two-stage sampling process and a weighting process on each respondent type for projection onto the overall population, the number of respondents for the various investor types in the responded sample should not be used to calculate their respective participation rates.

¹¹ The relative errors are derived by assuming simple random sampling.