

**RETAIL PARTICIPATION IN HONG KONG  
STOCK & DERIVATIVES MARKETS (2000)**

**- REPORT -**

**Planning & Research  
Hong Kong Exchanges and Clearing Limited (HKEx)**

**26 February 2001**

## **1. BACKGROUND**

Between November and December 2000, Hong Kong Exchanges and Clearing Limited (HKEx) commissioned a marketing research firm (the agency) to conduct a brief-form survey of retail participation in HKEx's stock and derivatives markets. The 2000 survey continues the series of periodic retail investor surveys launched in 1989 by the Stock Exchange of Hong Kong, now a wholly-owned subsidiary of HKEx, and is the sixth of its kind. A full retail investor survey is done approximately triannually, the next full survey being targeted in 2001. In each of the intervening years a brief-form survey (i.e. the present exercise) is conducted to gather key statistics only. This year a question on derivatives investment was added.

## **2. OBJECTIVES**

The objectives of this survey are to gauge retail investor participation in the Hong Kong stock and derivatives markets and to find out the investors' socio-economic profile as well as their investment pattern (including trading frequency and incidence of Internet trading).

## **3. METHODOLOGY**

### **3.1 Data collection method**

Survey data were collected through telephone interviews between 14 November and 8 December 2000. A structured questionnaire was used to collect information from the respondents. The questions on retail investor participation in HKEx's stock and derivatives market formed part of an "omnibus" survey in which respondents were asked questions on a range of topics.

### **3.2 Target respondents**

The target respondents were Hong Kong residents aged 18 or above.

### **3.3 Sample design**

A random sample of 2,187 target respondents (proportionally selected from the 18 District Board districts), representing the adult population in Hong Kong, was successfully interviewed in the survey.

## **4. LIMITATIONS**

### **4.1 Sampling error of projections**

Since the survey findings are projected figures/estimates concerning the whole Hong Kong adult population, they are subject to sampling errors. Nevertheless, the chosen sample size is regarded as large enough to produce survey findings with acceptable levels of precision.

## **4.2 Low representativeness of certain findings**

Owing to the low probability of occurrence/incidence of some attributes, such as penetration of derivatives investors and Internet trading, the base of the findings in these particular areas was relatively small, thus weakening the representativeness. Hence, such findings should be interpreted with caution.

## **5. MAJOR FINDINGS**

### **5.1 Penetration among adult population**

#### **Shareownership and stock investment (Figure 1)**

- 21% of Hong Kong's adult population were stock investors.<sup>1</sup>
- 19% of Hong Kong's adult population were shareowners.<sup>2</sup>
- These two percentages represent approximately 1.1 million stock investors and one million shareowners.
- The proportion of stock investors registered an increase of 5 percentage points when compared to 16% in the previous survey in 1999. This may be due to the offer of Tracker Fund shares in 1999 and MTRC shares in 2000, which attracted a large number of new investors.
- Over the last decade, significant growth in shareownership and stock investorship was found as the percentages (21% and 19%) in 2000 were more than double those in 1992 (9% and 8%).

#### **Derivatives trading**

- 1% of Hong Kong's adult population were derivatives investors.<sup>3</sup> These derivatives investors were also stock investors.

### **5.2 Socio-economic profile**

#### **Stock investors (Figure 2 - 5)**

The typical Hong Kong retail stock investor is a 37 year old white collar worker with a median monthly income of about HK\$16,250. The proportion of male stock investors was 52%, similar to the 1999 survey. The findings also show that stock investors are generally better educated and more likely to be employed in a professional occupation than non-stock investors. 35% of stock investors had received post-secondary education and 21% were professionals, executives, proprietors or merchants.

---

<sup>1</sup> Stock investors are defined as those who held or had traded Hong Kong listed stocks including equities, warrants or Tracker Fund during the previous 12 months.

<sup>2</sup> Shareowners are defined as those who held stocks at the time of the survey.

<sup>3</sup> Derivatives investors are defined as those who had held or traded Hong Kong derivative products (including futures or options) during the previous 12 months.

### **5.3 Investment pattern and behaviour**

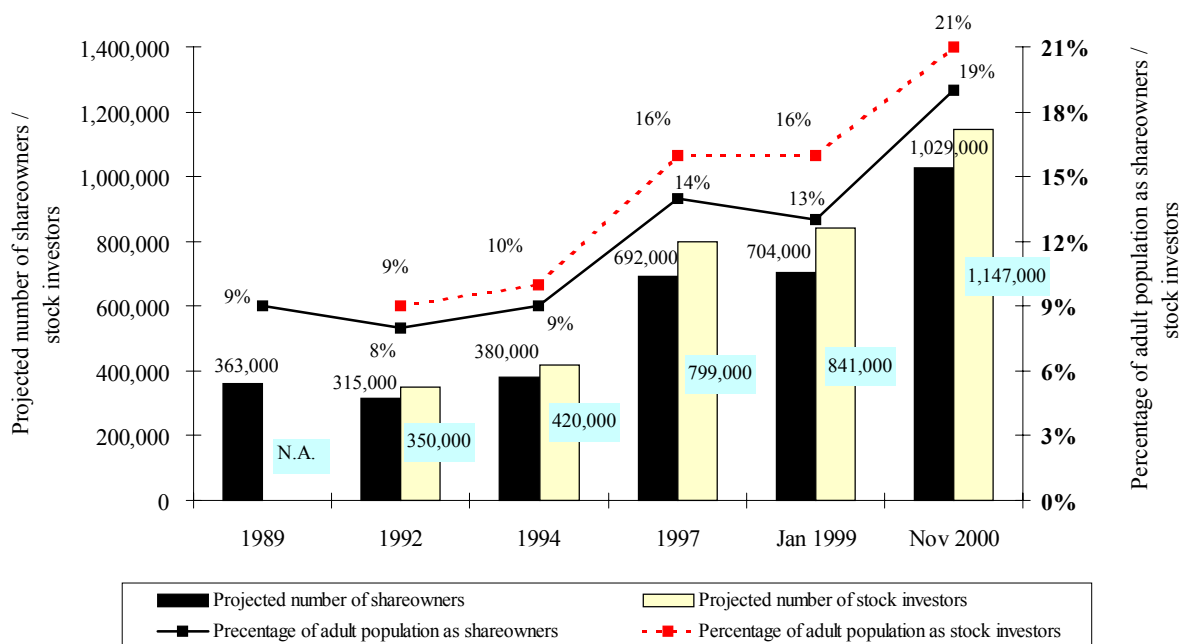
#### **Trading frequency (Table 1)**

In 2000, trading frequency increased. A typical stock investor traded a median frequency of five transactions in the past 12 months, compared with three transactions in the 12 months before the 1999 survey. However, the average trading frequency of an investor was 15 transactions in 2000 and 13 in 1999. This reveals that trading frequency among the stock investors was highly skewed: most of the transactions in the past 12 months were conducted by heavy traders.

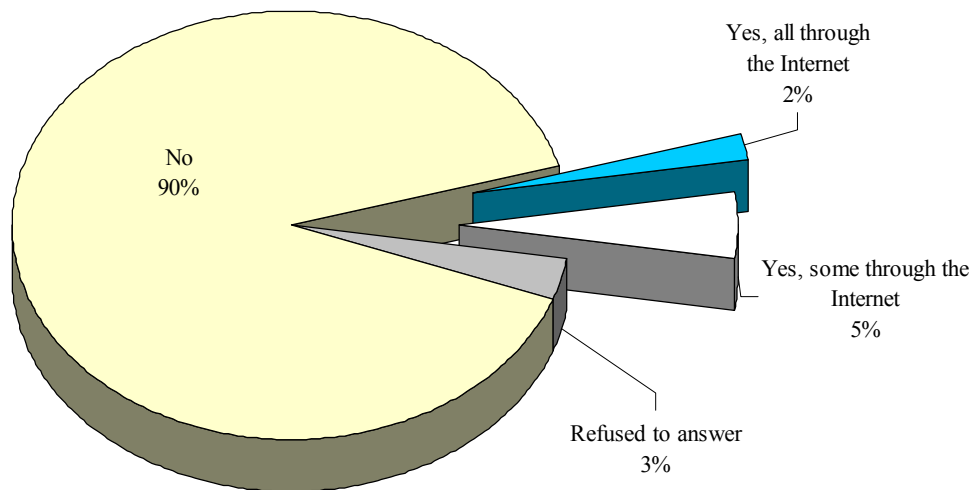
#### **Internet trading (Table 2)**

This year's survey was the first to cover Internet trading by stock investors. Among those investors who traded during the previous 12 months, only 7% placed orders via the Internet including 2% who had placed all their orders via the Internet. More than 60% of investors who placed orders via the Internet conducted seven or more transactions in the past 12 months, i.e. Internet users tended to be more frequent traders.

**Figure 1. Trend of shareownership and stock investment**

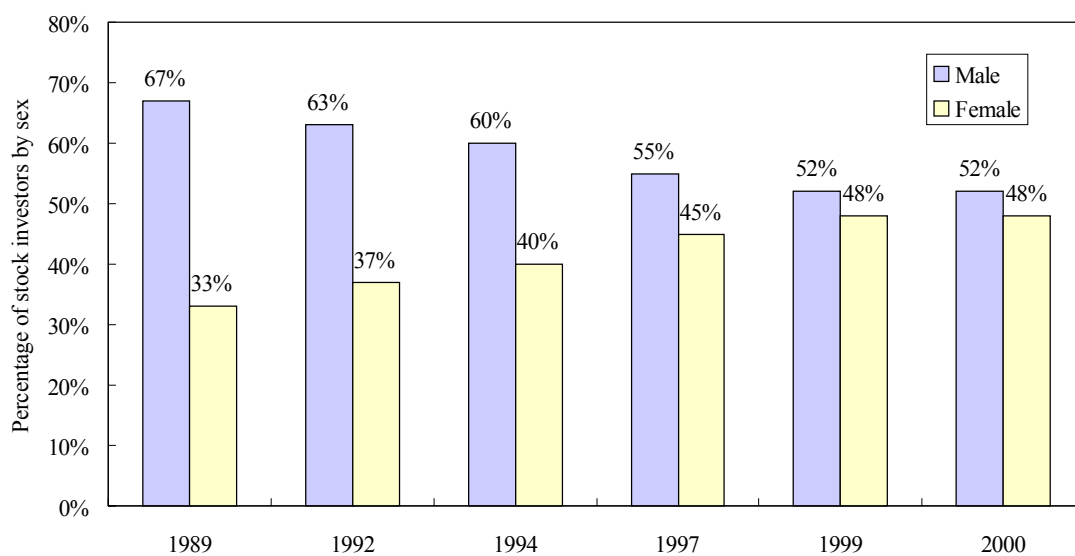


**Figure 2. Percentage share of transaction orders placed by stock investors via the Internet in 2000**

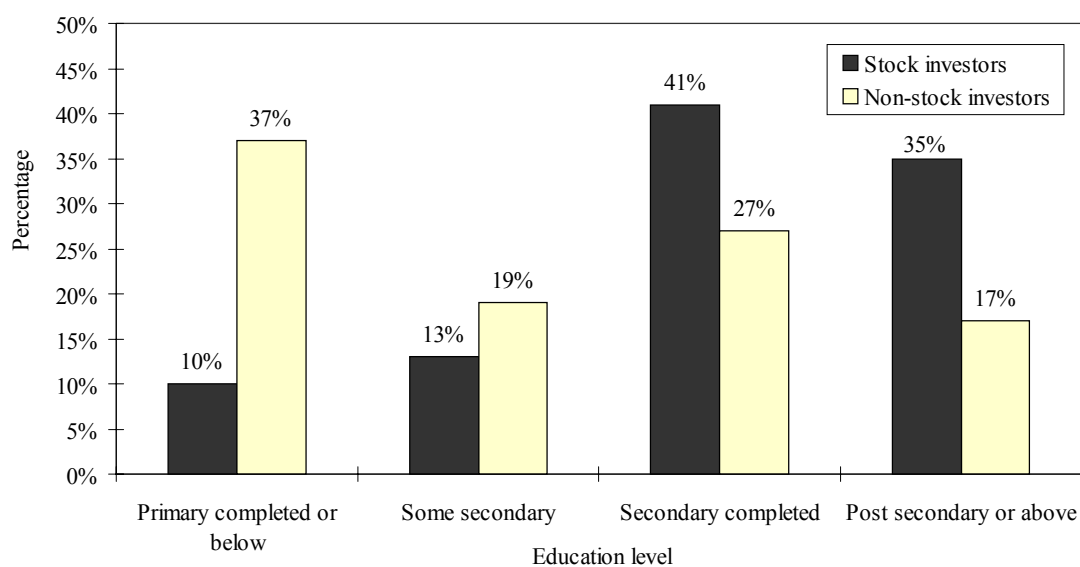


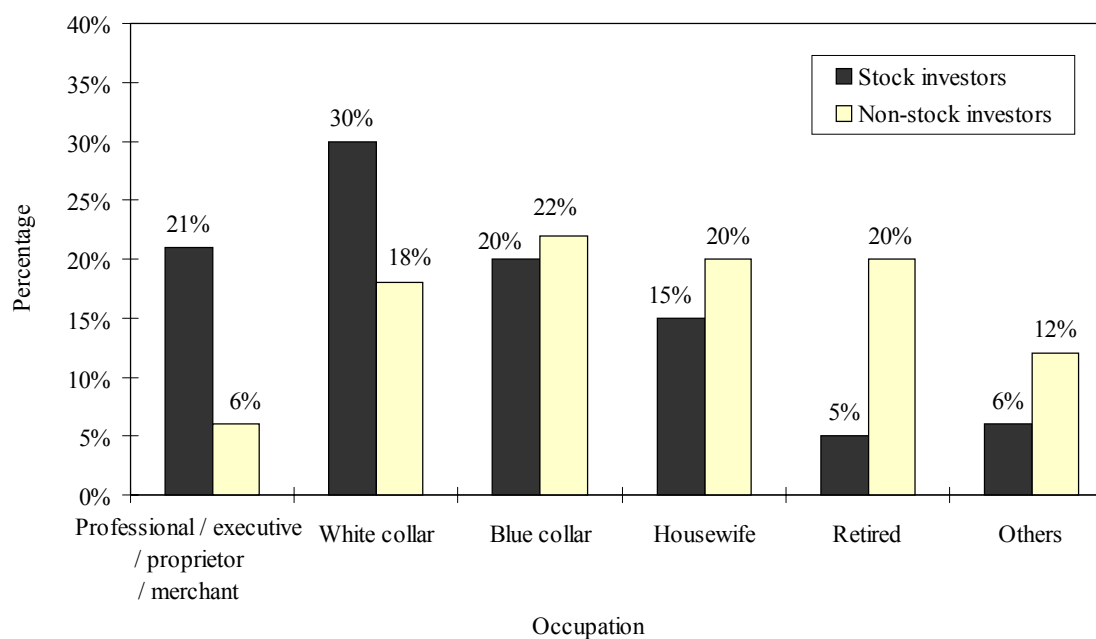
Base: Stock investors who had traded Hong Kong-listed stocks during the 12-month period under study.

**Figure 3. Trend of sex distribution of stock investors in Hong Kong**



**Figure 4. Distribution of stock and non-stock investors by education level in 2000**



**Figure 5. Distribution of stock and non-stock investors by occupation in 2000****Table 1. Trading frequency among stock investors in past 12 months**

No. of transactions	1994 %	1997 %	1999 %	2000 %
1 - 2	27	14	15	24
3 - 4	16	12	16	11
5 - 6	10	11	10	9
7 - 10	16	19	11	15
More than 10	18	39	17	17
None	13	3	29	23
Forgotten	-	2	3	2
<b>Average</b>	<b>16</b>	<b>27</b>	<b>13</b>	<b>15</b>
<b>Median</b>	<b>4</b>	<b>10</b>	<b>3</b>	<b>5</b>
Sample size	(405)	(406)	(359)	(474)

Base: All stock investors

*Note: Figures may not add up to 100 due to rounding.*

**Table 2. Percentage share of Internet trading by transaction orders**

No. of transaction orders	All or some transactions orders placed via the Internet %
1-2	12
3-4	7
5-6	19
7-10	30
More than 10	32
Sample size	(27)

Base: All stock investors who traded Hong Kong listed stocks during the previous 12 months.

*Note: Figures may not add up to 100 due to rounding.*