

13 January 2006

Listing Division

Hong Kong Exchanges and Clearing Limited
11th Floor, One International Finance Centre,
1 Harbour View Street,
Central,
Hong Kong

Dear Sirs,

Re: Responses to the "Exposure Paper: Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters" issued in November 2005

1. This memorandum sets out our responses to the "Exposure Paper: Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters" published by the Exchange in November 2005 (the "**Exposure Paper**").

The Exchange's proposal

2. On 20 April 2000, the Exchange issued a market consultation paper proposing to have all announcements of listed issuers to be published on the internet instead of in the newspapers. The Exchange then set out in an announcement on 24 April 2001 a revised proposal to abolish the requirement to make paid announcement under the Listing Rules and, in the interim, require board issuers to provide an electronic copy of newspaper announcements to the Exchange for dissemination on the Exchanges' website. The Listing Rules were amended in May 2001 to give effect to the proposal, which remain effective to date.
3. The Exchange now proposes to implement an orderly transition from the current disclosure requirements to the complete abolition of paid announcements. Under Phase 1 of the transition, Main Board issuers will be required to publish a short-form announcement in newspapers, either as summary announcement or as notification. Phase 2 will be initiated 9 months after the implementation of Phase 1, where paid announcements will be completely abolished.
4. We believe that the existing requirements to publish announcements in newspapers and on the Exchange's website are most beneficial for the market as a whole and should be maintained without modifications for the following reasons.

RECEIVED
06 JAN 13 PM 4:03
BY HAND
B605
025062

The profile of Hong Kong retail investors

Retail participation in the Exchange's equity products

5. A significant number of retail investors in Hong Kong participate in the Exchange's equity products. According to the Retail Investor Survey dated 18 January 2005 conducted by the Hong Kong Exchanges and Clearing Limited Research and Planning (the "Exchange's Survey") (Tab 1), 24.6% of the Hong Kong adult population, namely 1,360,000 individuals, are retail investors in products traded on the Exchange in October 2004. If anything, this percentage will have increased and will continue to increase in the light of the recent major and forthcoming listings, such as the LINK Reit and major PRC banks. The extent of retail participation in Hong Kong can also be observed from subscriptions to major IPOs. For example, the IPO of MTR Corporation had 602,500 retail subscribers, while that of Tom Group Limited had 453,200 retail subscribers and that of the LINK Reit had 234,000 retail subscribers (Tab 2).
6. According to a separate survey recently commissioned by us to examine the investment behaviour of retail investors (the "SCMP Survey") (Tab 3), 23.9% of respondents traded once or more a month, while 27.5% traded once every few months. It can be seen that the majority of retail investors are frequent traders.

Internet usage

7. Despite the availability of the Exchange's AMS/3 stock trading system since 2000, there is still a very significant segment of retail investors in Hong Kong who do not use the internet for their investment activities.
8. The SCMP Survey shows that internet accessibility is low among:
 - (a) investors who are aged 46 or above (84.2% of those within this age category indicated that they do not have internet access)
 - (b) those with education level of form 4 or below (51.1% of those within this age category indicated that they do not have internet access).
9. The Exchange's Survey shows similar patterns as far as online trading is concerned. In the Exchange's Survey, only 36% of retail stock traders confirmed that they traded online. Comparing online and 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. Traders who do not fit into this profile would therefore tend to trade offline rather than through the internet. This is confirmed by the statistics from 2002 to 2004, which shows that there is consistently a lower participation in online trading compared to offline trading for traders who are

aged 50 or over, have retired or are homemakers, or whose education level are primary and lower secondary.

10. It may be useful to point out that the internet is not at all well used by old people even in other areas where online services are thriving. One example is online banking. In a recent meeting of the Legislative Council on 9 November 2005 (please see the extract of the official record of proceedings, in Chinese, enclosed in **Tab 4**), Councillor Mr Albert Chan raised the concern that the reduction of local branches by note-issuing banks at public housing estates have unfairly prejudiced the old. Though the Secretary for Financial Services and the Treasury argued that the reduction in branches was made in response to the growth of internet banking, other Councillors noted that residents continued to line up at local branches just before they were closed and old people appeared to have been prejudiced by the change in the way banking services are delivered to them.
11. Therefore, despite the apparent growth of the internet, it is clear that there are people who are still not accustomed to the internet and need services to be provided to them in the traditional way.

Investors' reactions to the use of the internet as the sole means to disseminate announcements

12. Investors appear to be content with the current disclosure requirements under which announcements can be accessed from both the newspapers and the internet. According to the Exchange's Survey, 76% of stock investors agree that there is good trading information available in Hong Kong (as opposed to 6% who disagree), and 49% agree that there is good disclosure of information by issuers (compared to 20% who disagree).
13. However, as far as the move towards internet-only dissemination of announcements is concerned, investors do not appear to welcome the change. In the SCMP Survey, the respondents have the following views:
 - (a) 68.2% disagree that announcements should be accessed solely on the internet; whilst only 19.4% agree. Despite the age differences, respondents of different age groups consistently disagree that announcements should be accessed solely on the internet;
 - (b) 65% disagree that it is sufficient for newspapers to provide notifications in place of full announcements; whilst 23.7% agree. Again, despite age differences, respondents of different age groups consistently disagree that it is sufficient for newspapers to provide notifications in place of full announcements;

- (c) as for viewing announcements through the internet, 71.5% indicate that they would do so, while 27.1% indicate that they would not*. The older respondents appear to be less inclined to view announcements through the internet compared to the younger respondents; (*Remarks: Taking into account the 156 missing responses in the subject question, 46.5% indicated they would view announcement through the internet and 17.5% indicated that they would not.)
- (d) 24.5% admit that they have never used the internet to view announcements;
- (e) 34.5% of the respondents consider that newspaper is the most reliable channel to obtain announcements, compared to only 16.5% who think that the internet is the most reliable channel;
- (f) 37.3% say that newspaper is the most convenient channel to obtain announcements, followed by 35.2% who think that the internet is the most convenient channel.
- (g) If we examine the responses by age, newspaper is rated as the most reliable and convenient channel amongst respondents aged 36 or above, whilst the internet is thought to be the most reliable and convenient by those aged 35 or below.

Inaccessibility and inconvenience

14. Given the profile and habit of Hong Kong's investors as observed from the surveys, there is still a large segment of retail investors who do not use the internet for their investment activities (i.e. investors aged 46 or above, not working or with lower education). It would be unreasonable therefore to expect that the internet would be effective as the sole means to disseminate information to investors. In particular, the move towards internet-only dissemination would deny access to critical information about listed issuers for retail investors who do not have internet access.
15. To cater for investors without internet access, the Exchange proposes that each listed issuer should make available, for inspection, the full announcements during business hours in its principal place of business in Hong Kong and provide copies of these announcements free of charge. However, the need to travel to an issuer's principal place of business would cause serious inconvenience to these investors, particularly if they need to view announcements of different companies. The inconvenience practically renders the announcements inaccessible despite the proposed measures.
16. In the circumstances, it is in our view that the proposal would be prejudicial to investors who lack internet access and would be contrary to Rule 2.03(4) of the Listing Rules, which stipulates that *"The Exchange Listing Rules reflect current acceptable*

standards in the market place and are designed to ensure that...(4) all holders of listed securities are treated fairly and equally".

17. In any event, the major newspapers in circulation, such as the South China Morning Post, currently offer investors the benefit of obtaining key investment information in a single place. Along with stock information, data on capital markets, funds and currency can also be accessed from these newspapers. Therefore, if announcements were to be disseminated solely through the Exchange's website, investors would no longer have the benefit of obtaining key investment information from a single source.

International practice and GEM

18. The Exposure Paper describes the abolition of paid announcements as a move towards international practice.
19. Other major stock exchanges overseas have rules which require crucial information to be made to the market in a timely manner. Invariably, the announcement requirements in these exchanges require dissemination of information in a way that the particular exchange thinks is most suitable for the investors in the local market. However, whether a particular mode of dissemination of information is suitable for a given market depends on the profile of the investors in that local market and a mode that works for one market may not be suitable to another. Given the significant number of retail investors in Hong Kong as a proportion of the population and the profile of Hong Kong's retail investors as observed from the surveys, it is clear that there is a large segment of the retail investing community whose investment habits for the stock market do not involve the internet, whether due to the lack of access or otherwise. We are therefore of the view that the abolishment of paid newspaper announcements would be inappropriate and unfair to the Hong Kong market as a whole despite similar requirements in other exchanges overseas.
20. Given that the number of issuers, and the market capitalisation of these issuers, on the Main Board far exceed that on GEM (see **Tab 5**), one would expect the composition of the issuers to be very different between them. Most certainly there would be a greater number of investors on the Main Board than on GEM. Any prejudice caused by the mode of dissemination of information on the Main Board would therefore affect a far greater number of investors than would on GEM. In the circumstances, it would be inappropriate to abolish paid announcements for the Main Board simply by reason that the practice should be more in line with GEM's at a time when there is a concerted effort to improve corporate governance among listed companies.

Cost benefit to issuers

21. The Exchange argues that the abolition of paid announcements would be beneficial to issuers. However, from our examination of the expenditure of listed issuers, the actual cost of paid announcements in newspapers is miniscule compared to the issuers' overall operating expenses. For example, the cost of issuing results announcements in English and Chinese newspapers for BOC (Hong Kong) Holdings Limited is estimated to be less than 0.01% of its total operating expenses for the year ending March 2005, while those for Sinopec is estimated to be 0.144% of its total operating expenses (see **Tab 6**).
22. Therefore, despite the claim that the abolition of newspaper announcements would benefit issuers, the actual benefit is insignificant compared to the obligation to disclose vital information to the public. Listed issuers even voluntarily publish announcements in the newspapers in order to maintain a high level of corporate transparency. Enclosed in **Tab 7** are examples of voluntary announcements made by Hutchison Whampoa Limited, Cheung Kong (Holdings) Limited and Esprit Holdings Limited.
23. The cost of making newspaper announcements is also a fraction of the cost involved in the publishing of Annual Reports. For example, the annual expenditure in printing Annual Reports for BOC (Hong Kong) Holdings Limited was estimated to be \$6 million for the year ending March 2005, while the cost of results announcements for the same period was estimated to be approximately \$500,000. Therefore, to abolish the requirement to print newspaper announcements, and not Annual Reports, on the basis of lowering costs for issuers is unjustified. Moreover, many retail investors in Hong Kong tend to be short-term traders, whose investment decisions would be affected more by time-sensitive announcements in newspapers than by the information contained in Annual Reports. Accordingly, if the Exchange considers that the printing of Annual Reports should be maintained despite the costs involved, there is an even stronger reason to maintain the printing of paid announcements in newspapers, if not solely for the benefit of short-term traders.

Conclusion

24. Though the current requirements to publish announcements in newspapers and on the Exchange's website were implemented in 2001, the Exchange has not produced any data in the Exposure Paper to show that investors prefer electronic announcements over traditional newspaper announcements or that announcements solely through the internet would be beneficial to investors. In fact, the Exposure Paper appears to focus primarily on the purported benefits on issuers, although such benefits are insignificant in view of the overall expenditure of listed issuers.

25. Rule 2.03(4) of the Listing Rules require the Listing Rules to ensure that all holders of listed securities are treated fairly and equally. As discussed above, the proposal to abolish paid announcements altogether would not treat all investors fairly and equally because investors without internet access would be practically denied access to the announcements. The mechanism proposed by the Exchange to cater for these investors is impractical and would be ineffective. In view of the profile of Hong Kong retail investors, we strongly believe that the current disclosure requirements should remain in place to maximise access to announcements. The abolishment of newspaper announcements should not be implemented until it is clear that all investors would be treated fairly and equally. This is particularly so when investors are content with current disclosure requirements and do not appear to favour the new proposal.

26. If the Exchange maintains the view that the mechanism proposed to cater for investors without internet access is adequate and proceeds to implement the proposal, then it is our view that:

- (a) summary announcements, instead of notifications, should be published in newspapers as an interim measure. The purpose of the interim measure is to assist investors to adjust to the new mode of dissemination through the internet. A notification merely informs investors that an announcement has been made and is completely devoid of meaningful information. Investors would therefore be required to have immediate access to the internet upon implementation of the proposal before they are able to obtain any meaningful information about announcements made by issuers. Such a measure cannot be considered "transitional" as it does not afford investors the opportunity to adjust, whether for the purpose of changing their habits or obtaining access to the internet.

Some may argue that a summary announcement may be misleading because it does not contain all the necessary information contained in a full announcement. However, issuers are obliged not to mislead the public and there is no reason why they would be more likely to do so with a summary announcements. If an issuer feels that the particular announcement cannot be summarised without being misleading, then it should publish the full announcement.

- (b) investors do not appear to favour dissemination solely through the internet. Moreover, many investors do not currently involve the use of the internet in their investment activities. Sufficient time should therefore be afforded to them to change their habit and to be educated if necessary. Given the number of retail participants in the Exchange's equity products, we are of

the view that 9 months is insufficient for them to adjust. A period of 1½ to 2 years would be more appropriate.

Yours faithfully,
For and on behalf of
South China Morning Publishers Limited



Maria Nancy Valiente
Managing Director

Enc

Exhibits to the submissions by South China Morning Publishers Limited to the Hong Kong Stock Exchange dated 12 January 2006 in response to the "Exposure Paper: Abolition of the Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters" issued in November 2005.

INDEX

<u>TAB</u>	<u>DOCUMENT</u>
1.	Retail Investor Survey dated 18 January 2005 conducted by the Hong Kong Exchanges and Clearing Limited Research and Planning
2.	Table: Number of subscribers of major IPOs in Hong Kong
3.	Notice Survey Report prepared by the Marketing Department of the South China Morning Post dated 10 January 2006
4.	Extract of the official record of proceedings of the Legislative Council on 9 November 2005 (in Chinese)
5.	Data and Statistics on the Main Board and GEM
6.	Table: Cost of printing results announcements compared to overall operating expenses and the cost of printing Annual Reports
7.	Examples of voluntary announcements made by listed issuers

RETAIL INVESTOR SURVEY 2004



**Hong Kong Exchanges and Clearing Limited
Research & Planning**

18 January 2005



CONTENTS

	Page
EXECUTIVE SUMMARY	1
1. INTRODUCTION	3
2. RETAIL PARTICIPATION	3
2.1 Types of investor	3
2.2 Types of stock investor	5
2.3 Types of derivatives investor	6
3. INVESTOR PROFILE	6
4. TRADING PATTERN	10
4.1 Trading pattern of stock investors	10
4.2 Trading pattern of derivatives investors	15
5. ONLINE TRADERS	17
5.1 Incidence and proportion of online stock traders and online derivatives traders ..	17
5.2 Profile of online stock traders	20
5.3 Trading pattern of online stock traders	22
5.4 Trading pattern of online derivatives traders	25
6. PERCEPTIONS OF HKEX MARKETS	28
6.1 Perceptions of the stock market	28
6.2 Perceptions of the derivatives market	32
6.3 Perceptions of the stock market compared to perceptions of the derivatives market	33
6.4 Perceptions of HKEx giving priority to the public interest	34
GLOSSARY	35
APPENDIX 1. SURVEY METHODOLOGY	36
APPENDIX 2. RESPONDED SAMPLE BY INVESTOR TYPE	37
APPENDIX 3. PRECISION OF SURVEY FINDINGS	37



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

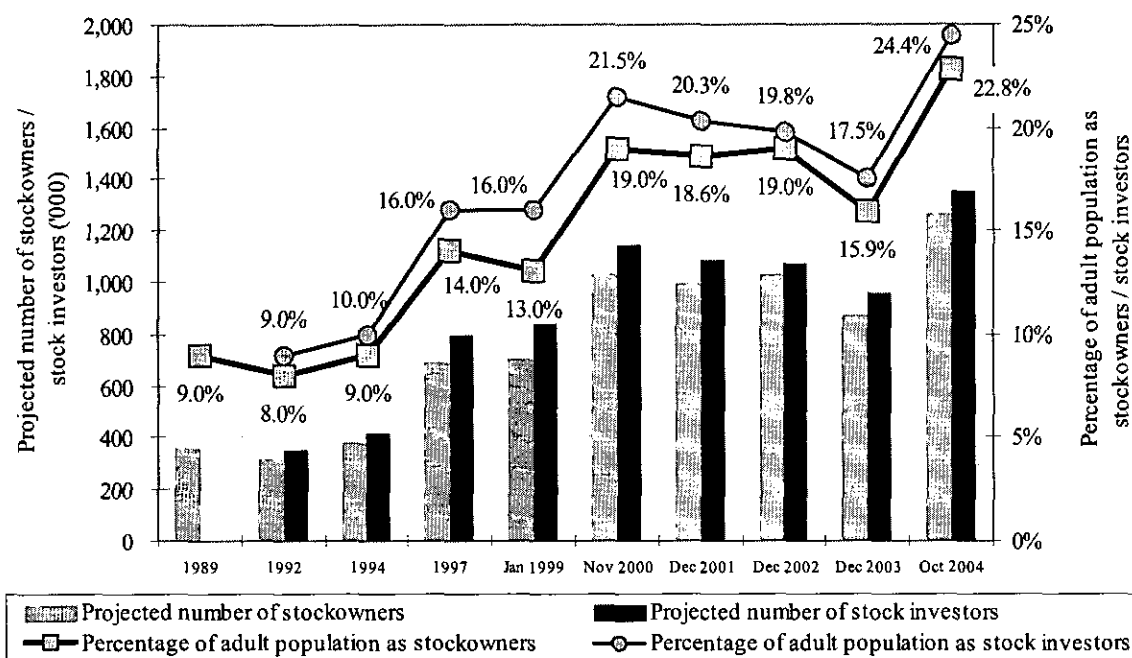
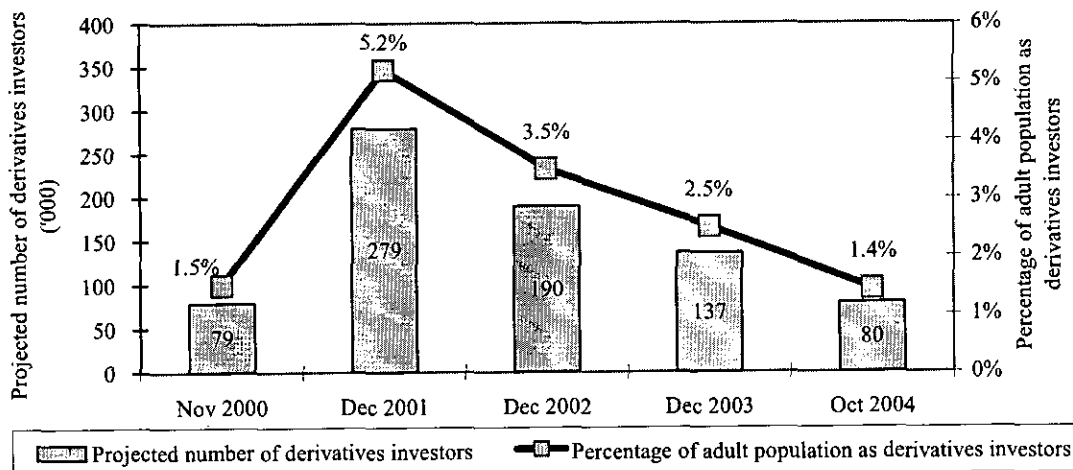


Figure 2. Trend of derivatives investors


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.

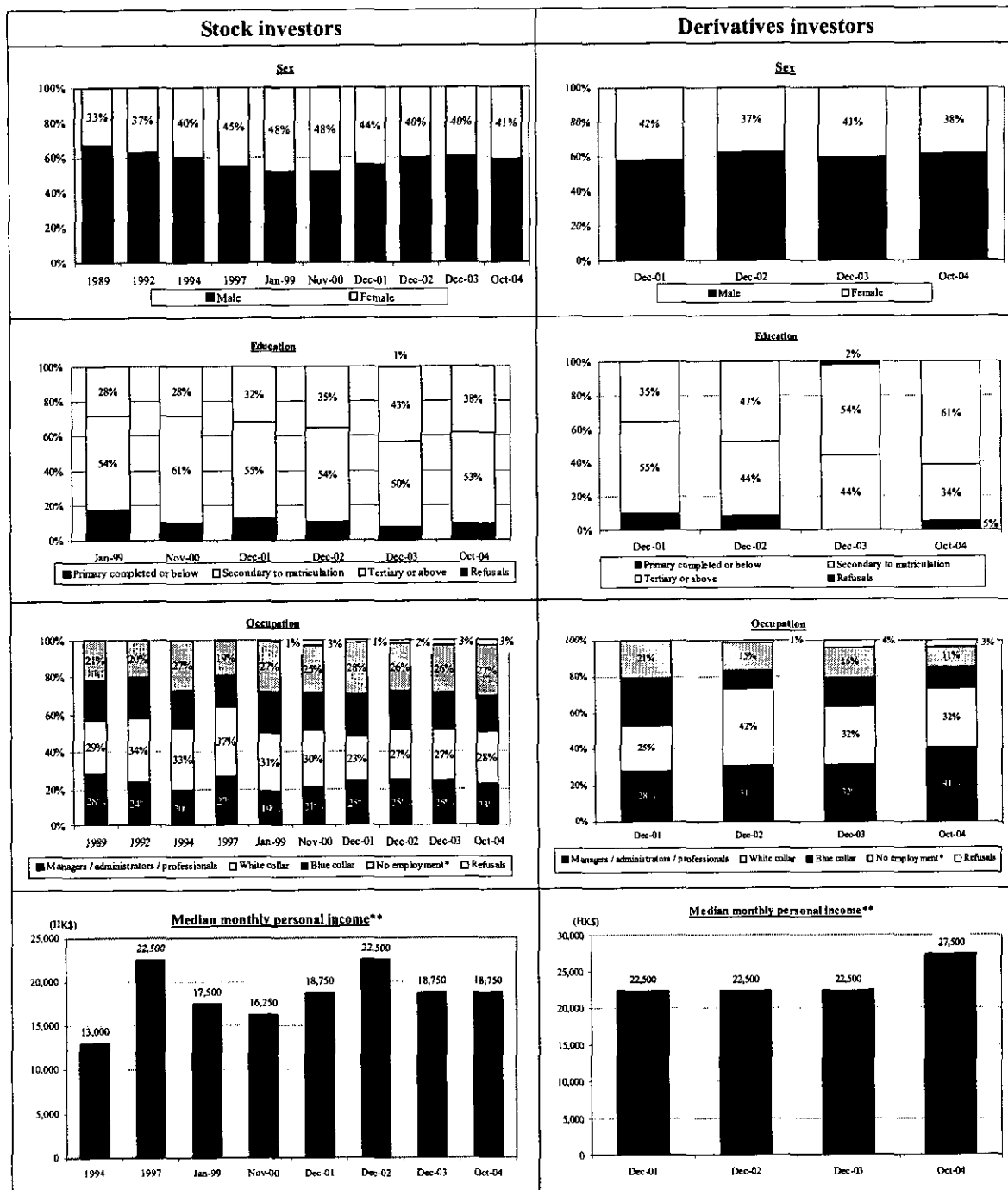
The majority of derivatives investors were males (62%), a similar level to the previous 2 years (63% in 2002 and 59% in 2003). The proportion of derivatives investors with tertiary or above education increased over the past 3 years from 35% in 2001 to 61% in 2004. The proportion being managers/administrators/professionals 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.



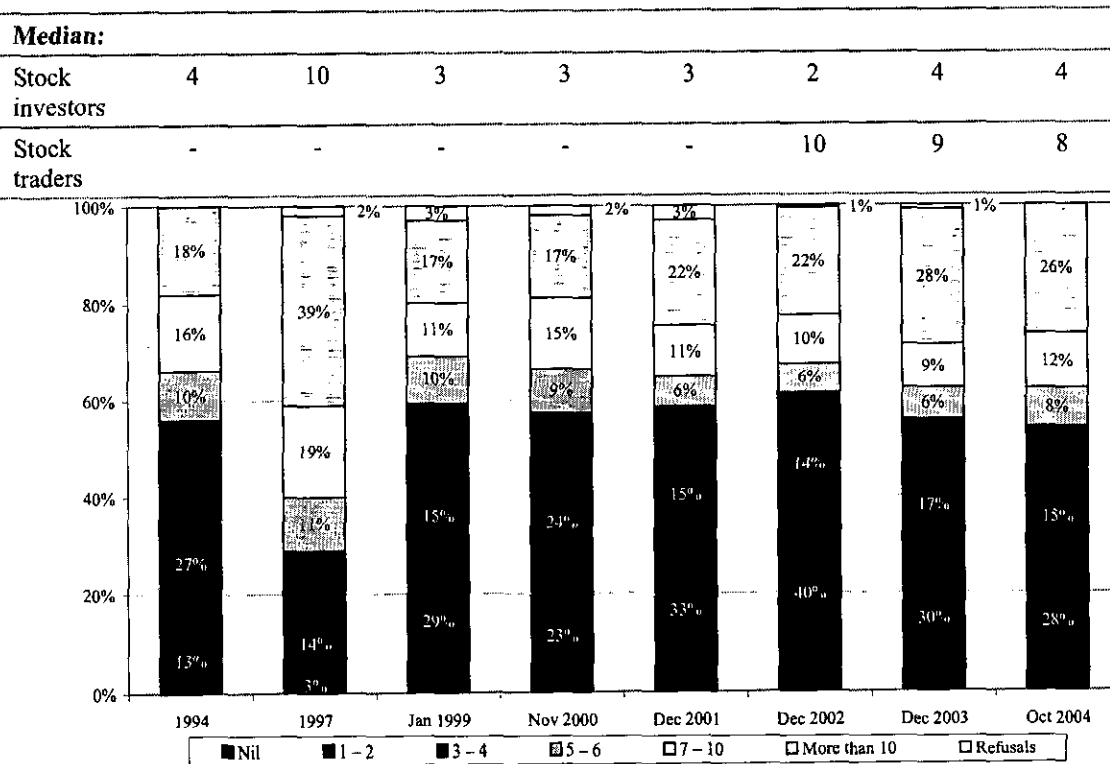
4. TRADING PATTERN

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)



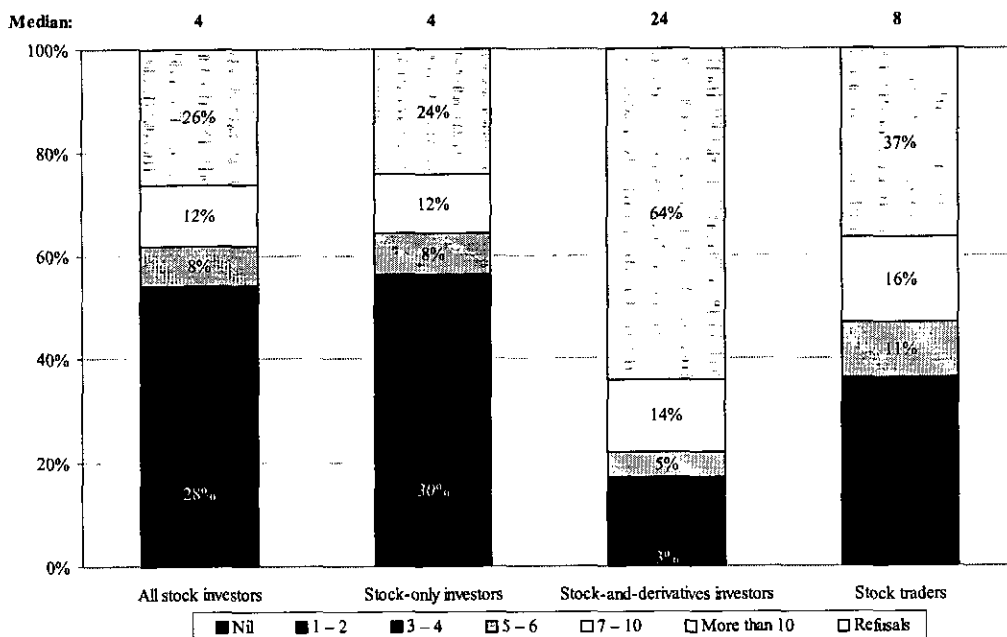
"-" Not available.

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)



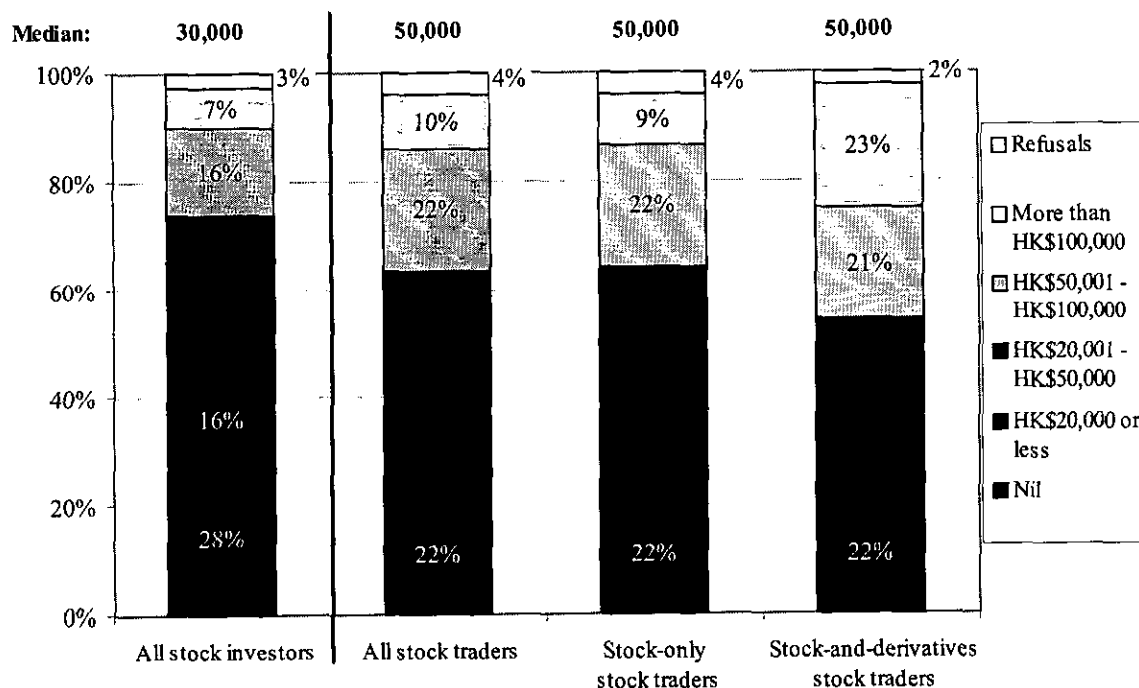
Note: Numbers may not add up to 100% due to rounding.

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.

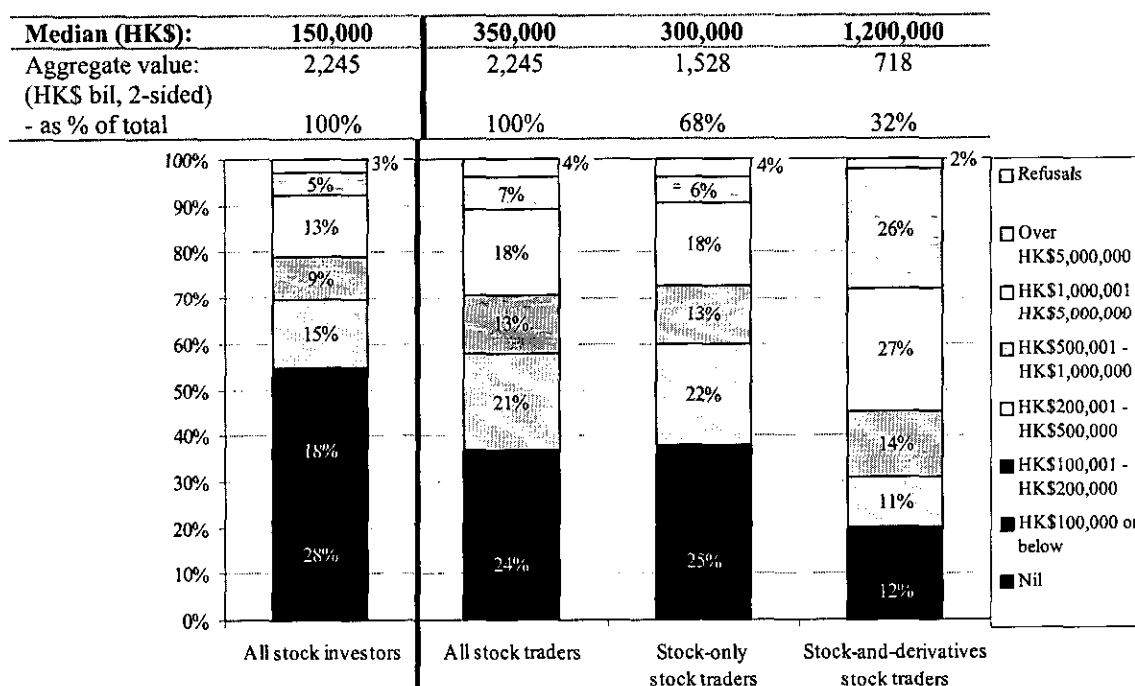
The implied total transaction value in the 12-month period was calculated by multiplying each respondent's number of stock transactions by his/her average value per stock transaction.⁶

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:

1. Numbers may not add up to 100% due to rounding.
2. 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%
Average value per stock transaction				
≤ 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
Implied total stock transaction value				
≤ 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
Aggregate implied total stock transaction value by all stock investors				
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.

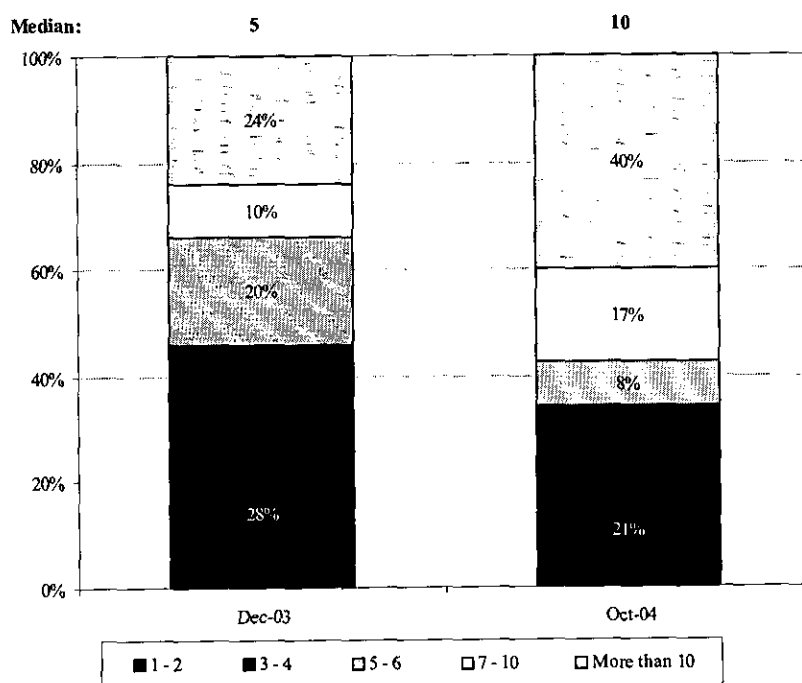


4.2 Trading pattern of derivatives investors

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)

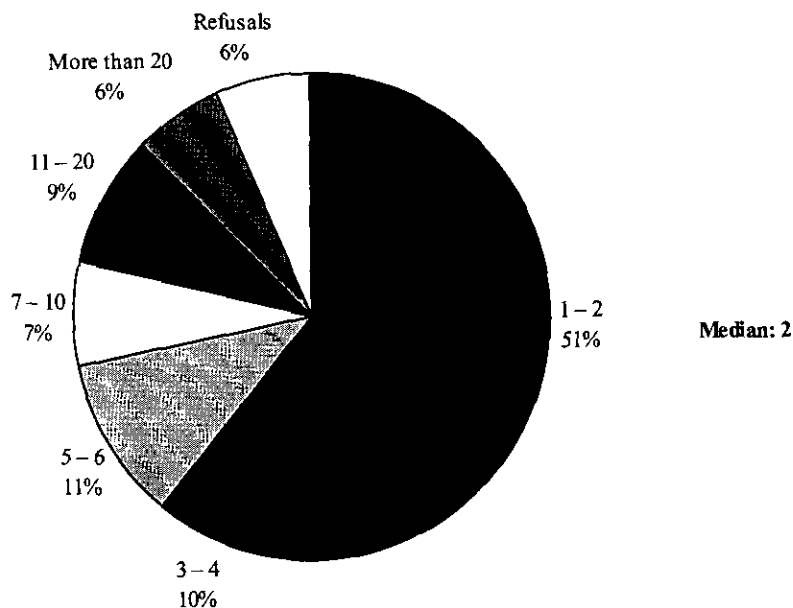


Note: Numbers may not add up to 100% due to rounding.

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.

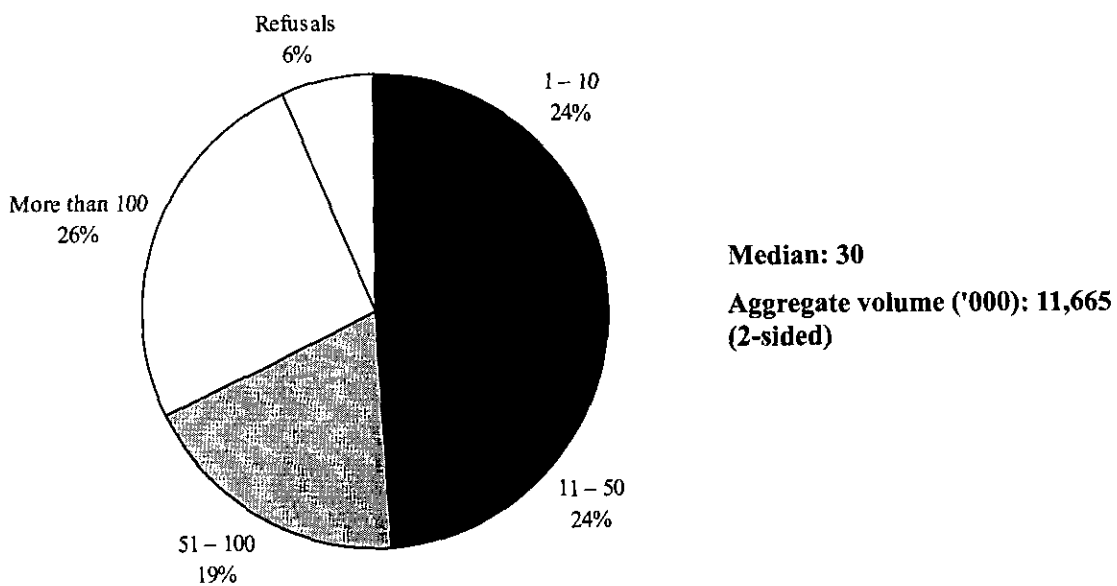
⁹ The implied total contract volume from all derivatives investors in the Hong Kong adult population is a projected figure based on the implied transaction volumes of respondents (excluding outliers) in the survey and the projected number of derivatives investors in the population. The figure was two-sided,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

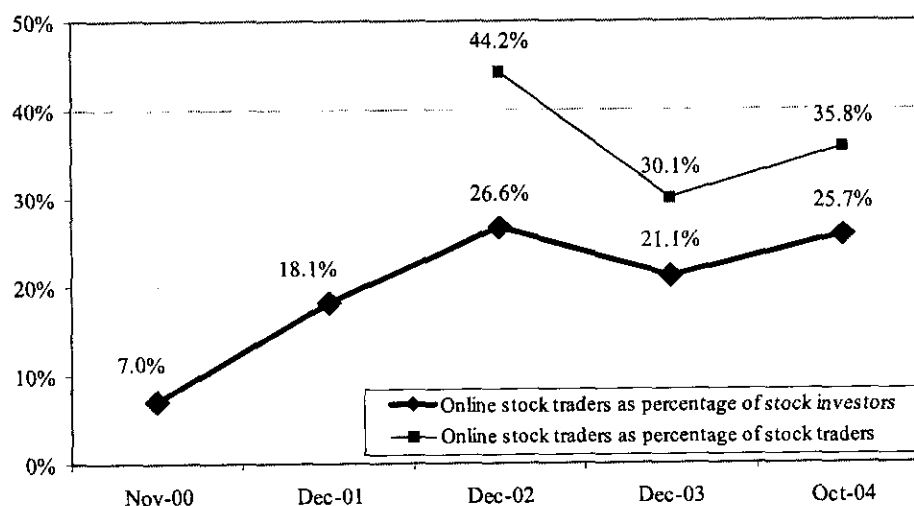




Figure 12. Proportion of different stock investor types as online stock traders (2004)

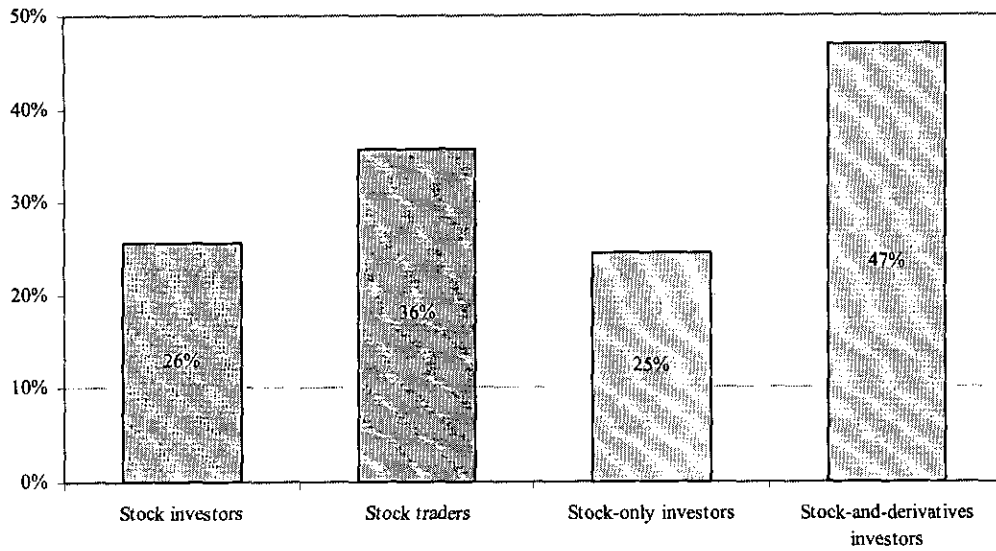
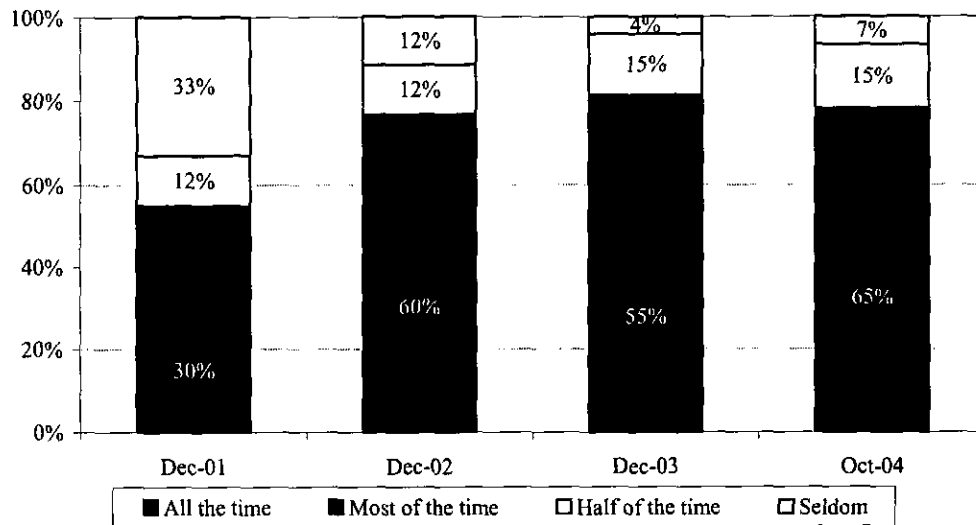


Figure 13. Usage of online stock trading among online stock traders (2001 – 2004)



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)

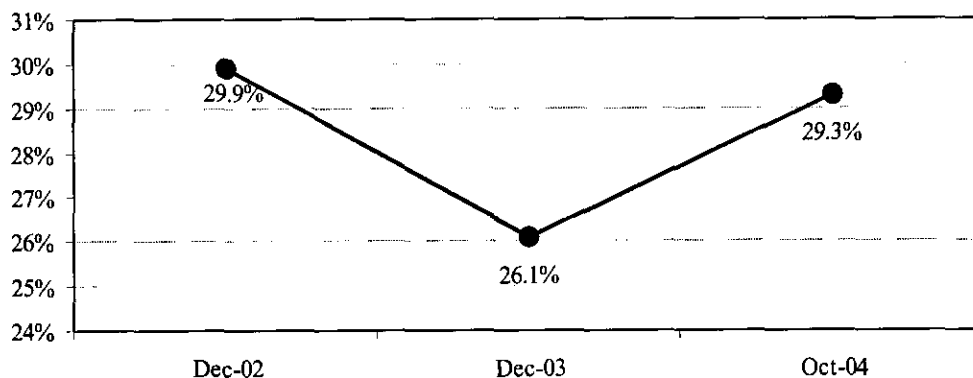
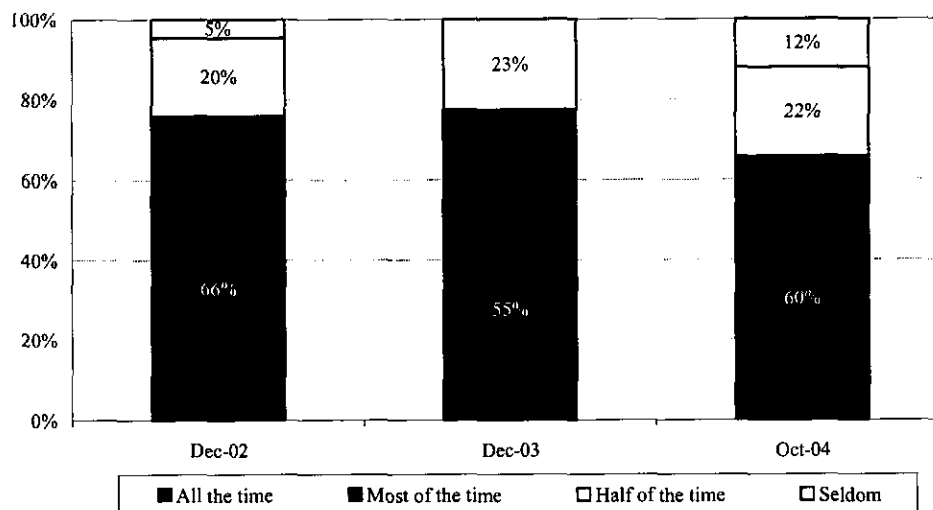


Figure 15. Usage of online derivatives trading among online derivatives traders (2002 – 2004)



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		
				Dec 02	Dec 03	Oct 04
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.

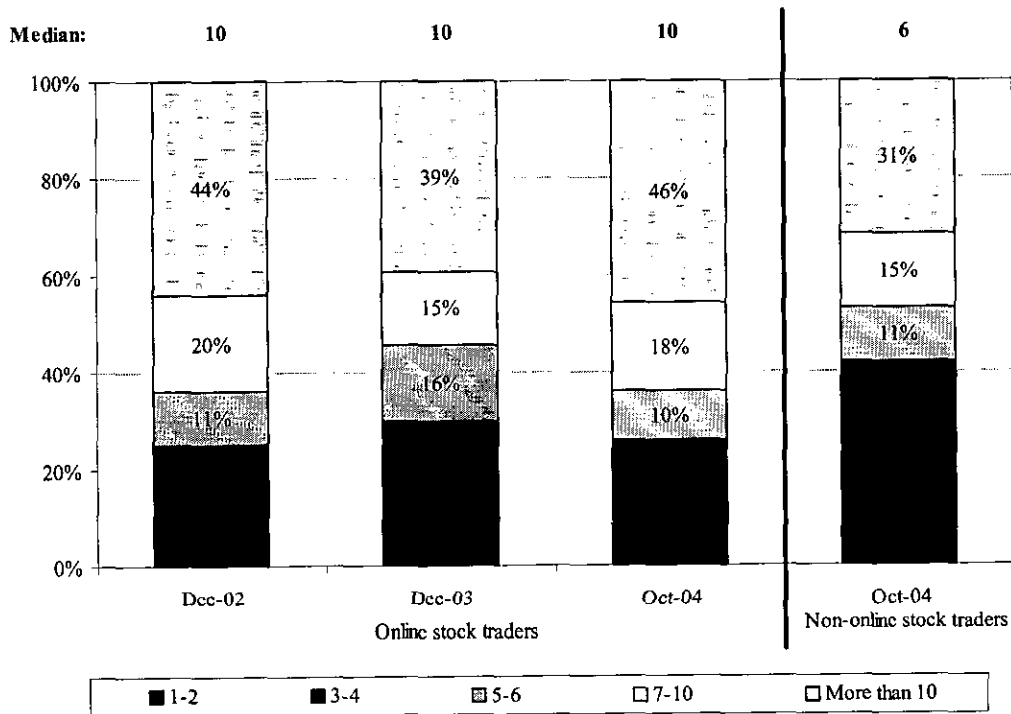
Note: Numbers may not add up to 100% due to rounding.



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).

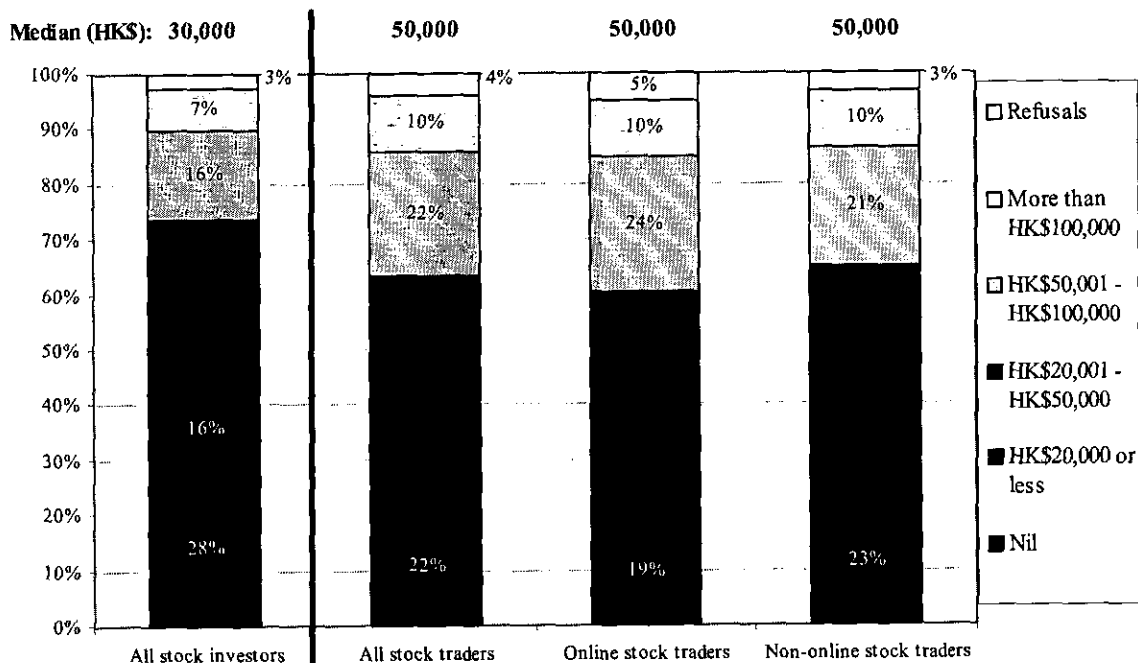
Figure 16. Number of stock transactions in the past 12 months by online stock traders (2002 – 2004)



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.

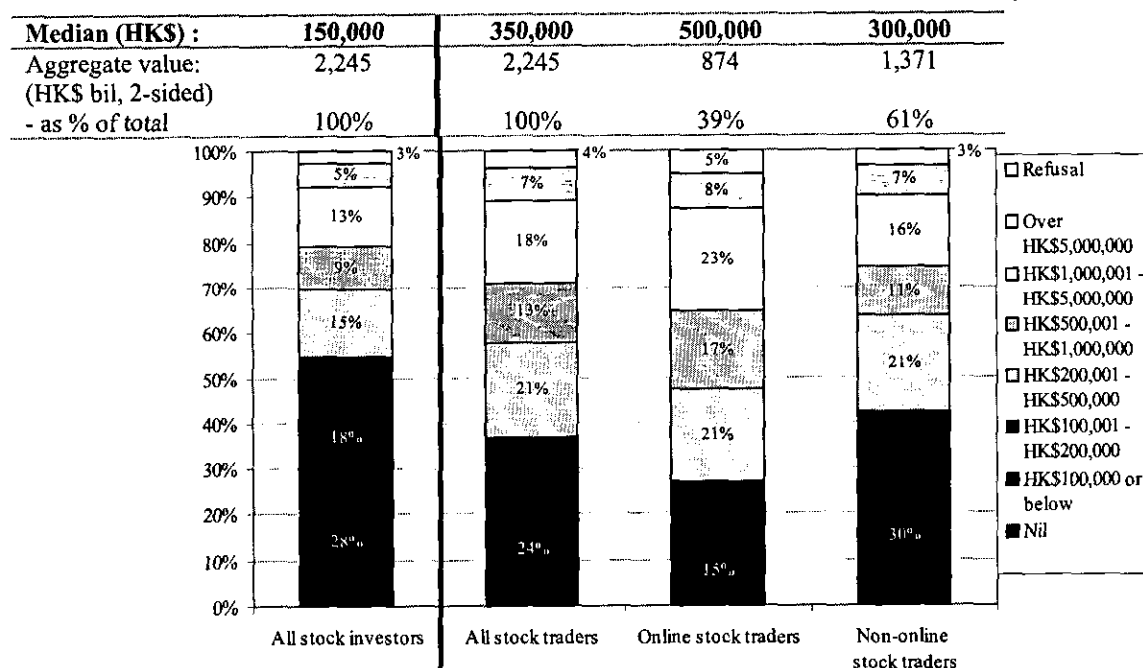


Overall, compared to non-online stock traders, online stock traders tended to trade more frequently with similar average value per stock transaction, making a higher implied total stock transaction value during the 12-month period.

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:

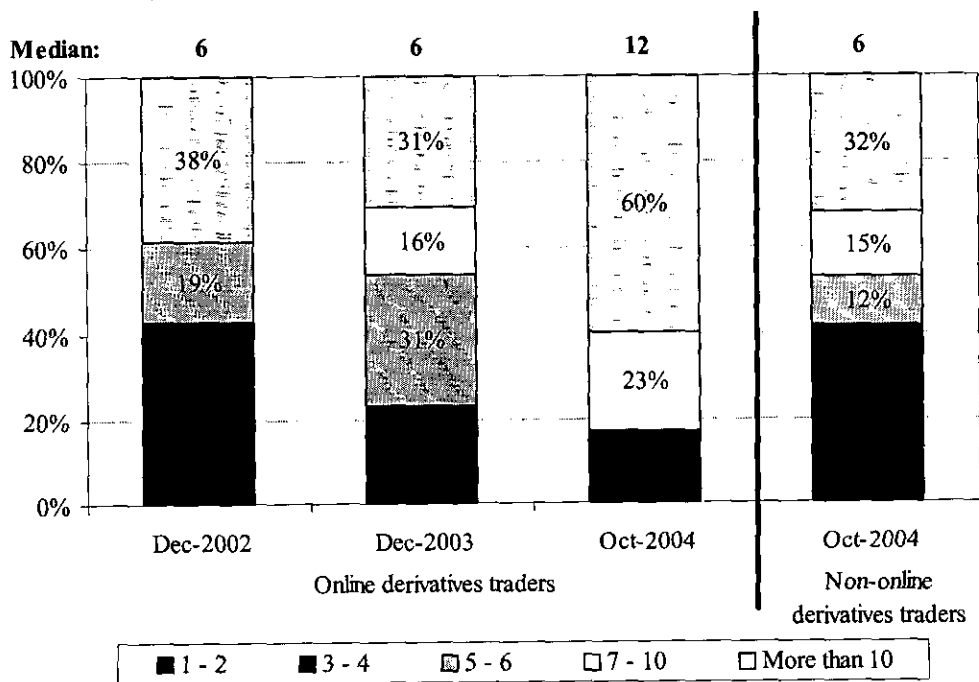
1. Numbers may not add up to 100% due to rounding.
2. Excluding outliers.

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)



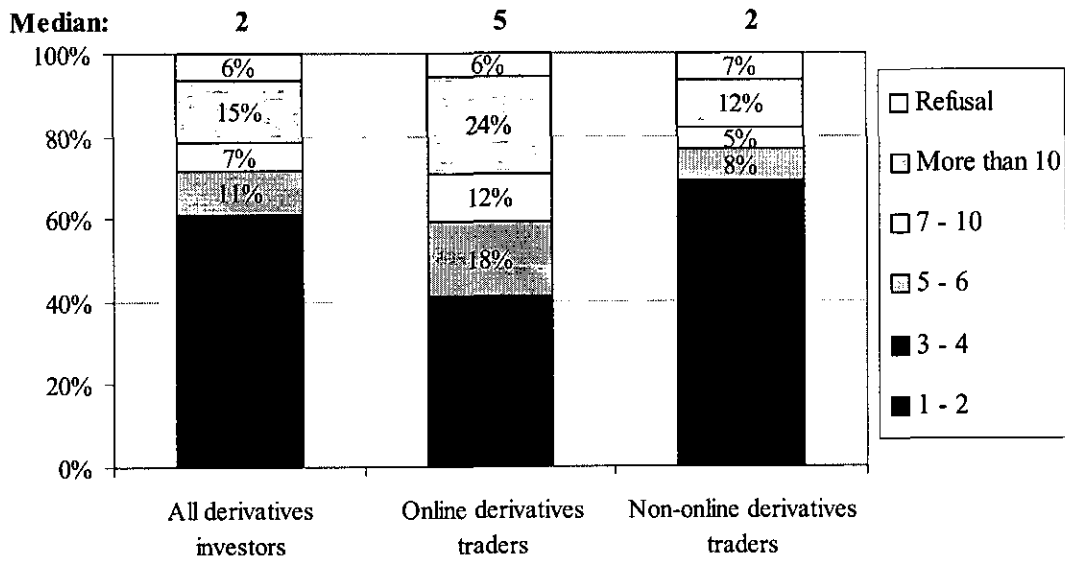
Note: Numbers may not add up to 100% due to rounding.



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)



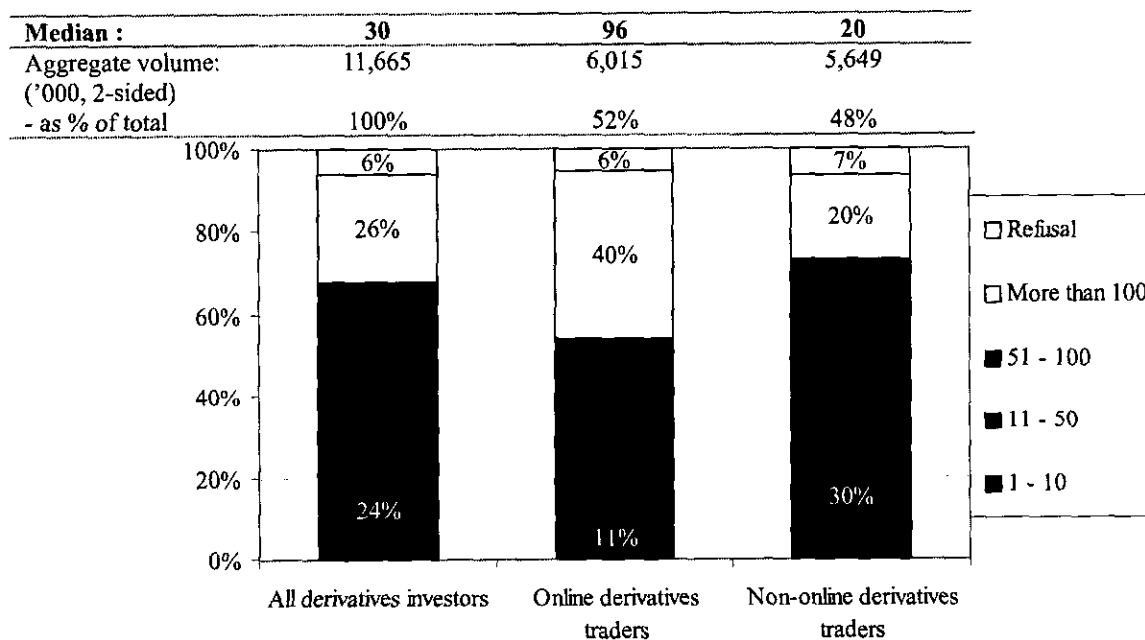
Note: Numbers may not add up to 100% due to rounding.



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.

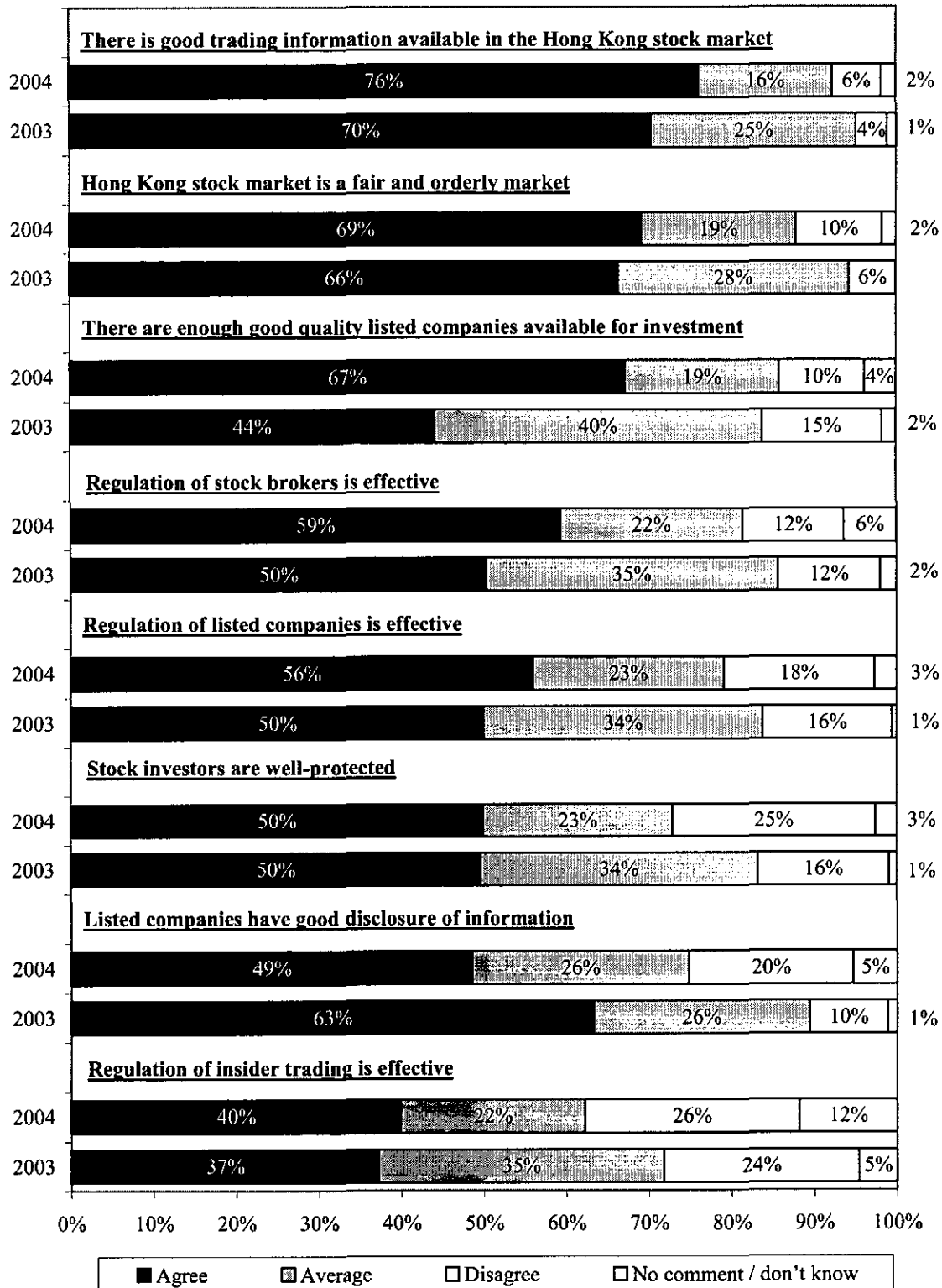
Stock investors were generally positive about the following aspects, to a similar or higher degree than in 2003:

- 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.

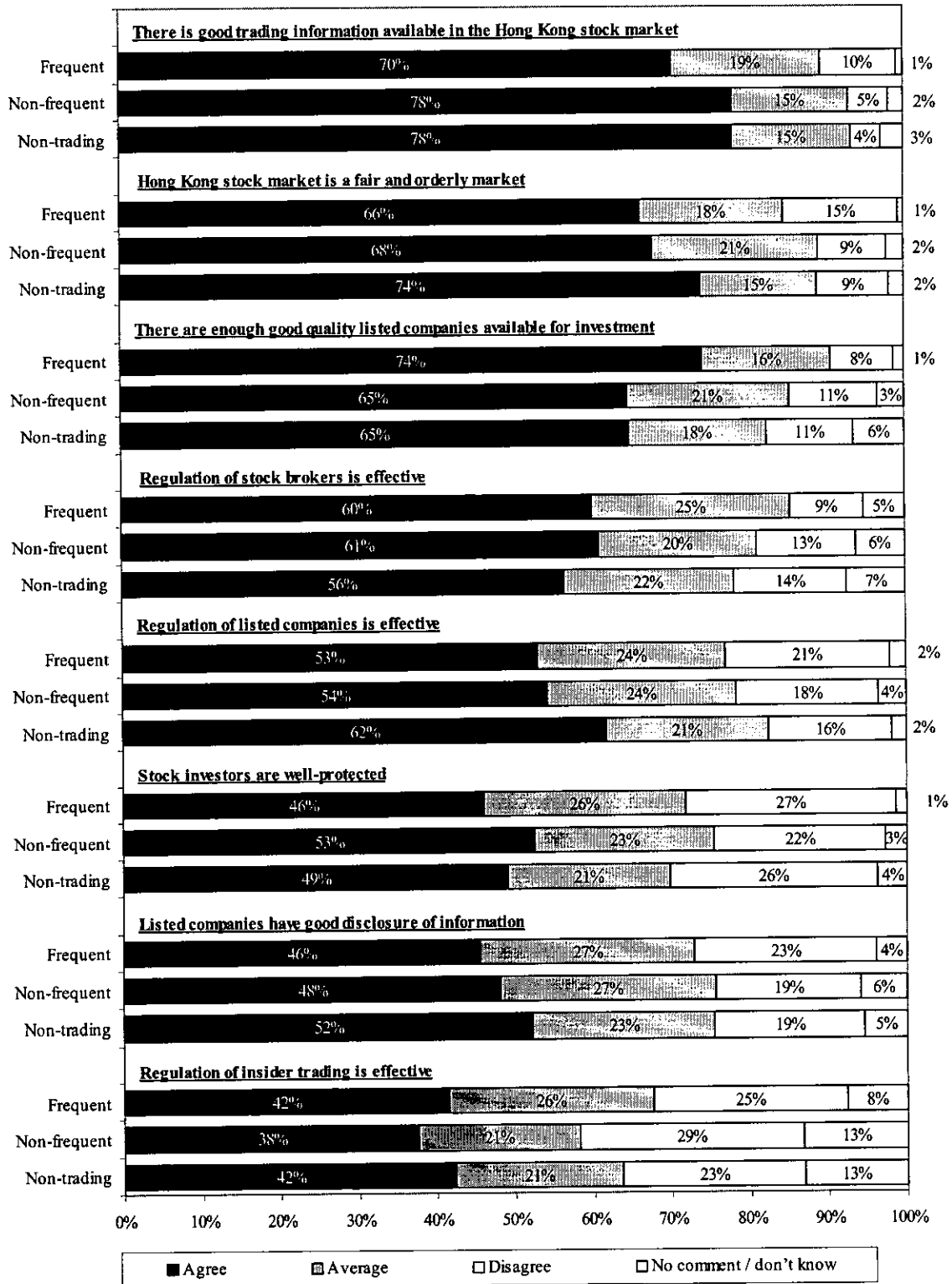
Frequent traders had a lower degree of satisfaction than non-frequent traders and non-trading stock investors on:

- 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.



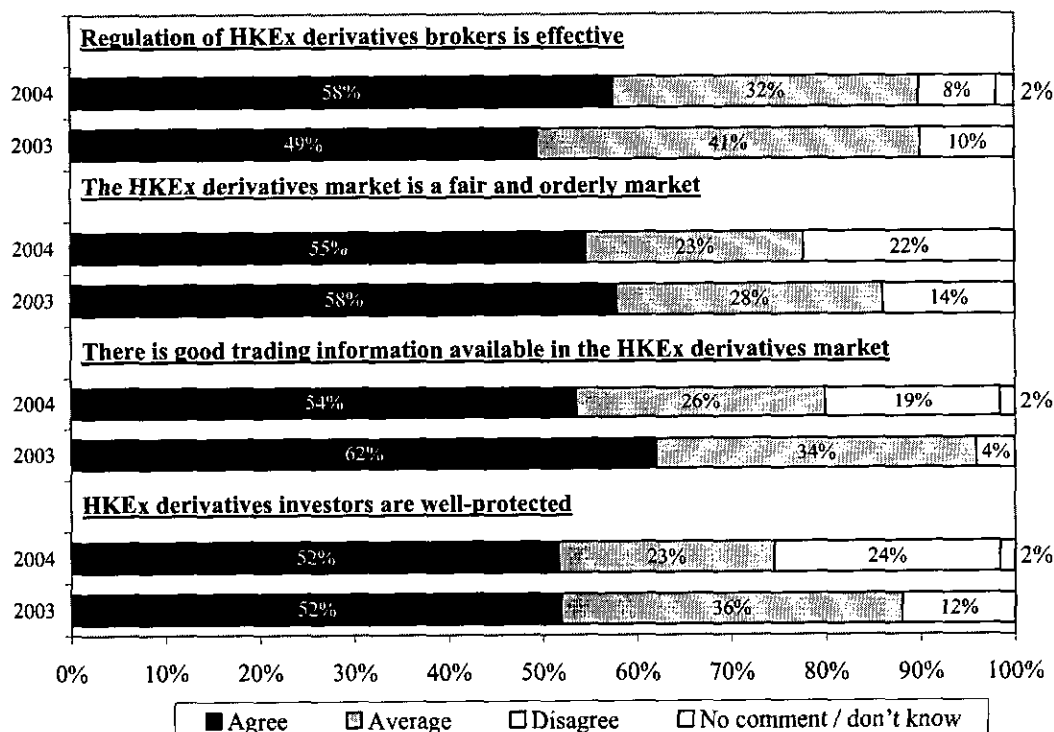
6.2 Perceptions of the derivatives market

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.

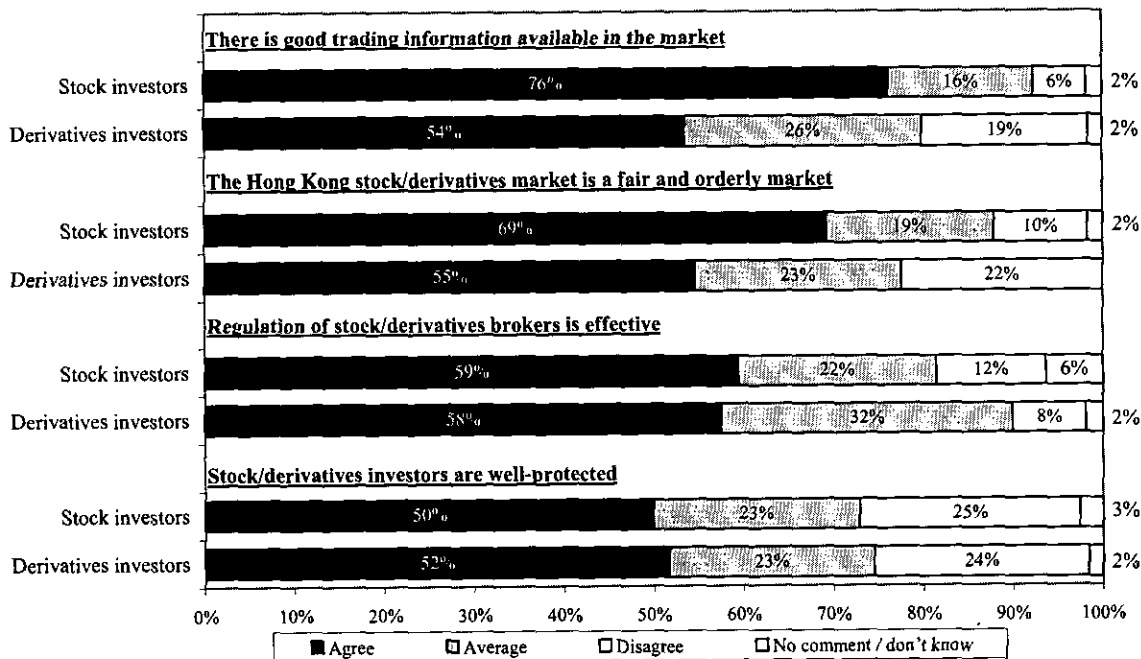


6.3 Perceptions of the stock market compared to perceptions of the derivatives market

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.

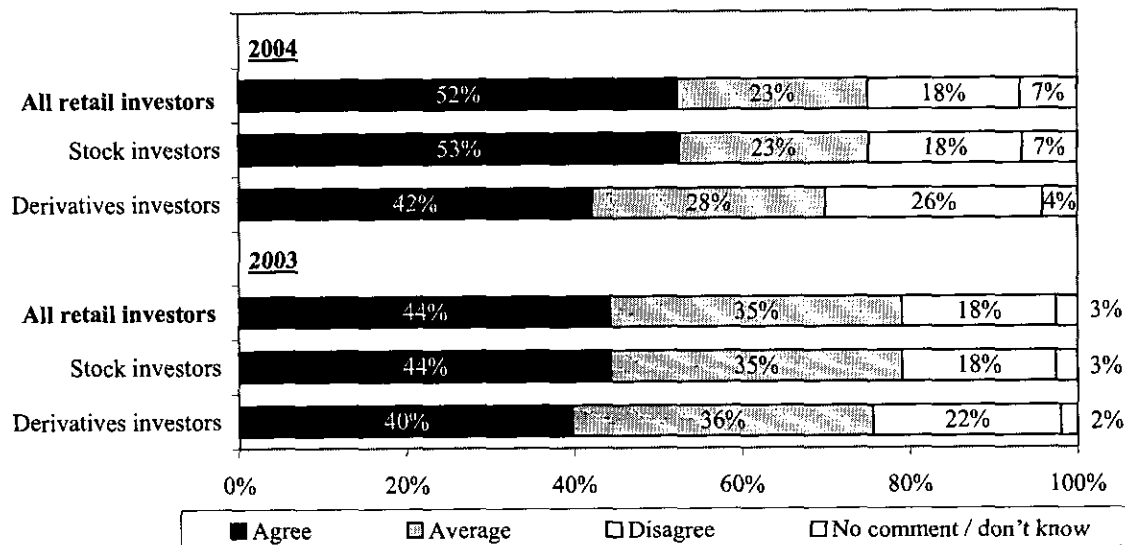


6.4 Perceptions of HKEx giving priority to the public interest

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.

No. of subscribers of major IPOs

Code	Stock name	No. of retail subscribers upon IPO ('000)
66	MTR Corporation	602.5
2383	Tom Group Ltd.	453.2
2628	China Life Insurance	364.4
3328	Bank of Communications	270.5
2800	Tracker Fund of HK	184.3
823	The LINK	234
939	China Construction Bank	200

South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

Notice Survey Report

Prepared by
Marketing Department

January 10, 2006

South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

Background

- HK Stock Exchange (HKEx) has done an exposure paper on “Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers”, listed companies will not have to publish print announcement in newspaper if the new rule applies.
- As the main English publication publishing announcements and notices, this proposal may have effect on the interests of the readers, the South China Morning Post commissioned the Chinese University of Hong Kong to conduct a research study with the objectives to:
 - understand the behavior, channels used, the types of information read for viewing result announcements of the investors
 - review the accessibility of the internet and habit of using internet for investment purposes of investors
 - measure the attitude towards the new rule amongst the investors
 - assess the likelihood of viewing announcements on in the internet
- Methodology: the research study was conducted through telephone with a sample size of 440, from December 20, 2005 to December 30, 2005 between 6:30 to 10:30 pm.
 - Random selection of respondents interviewed by interviewers in form of Computer Assisted Telephone Interview (CATI)
 - Success rate of 81.6%, based on the household with eligible respondents
 - A total 19351 phone calls were made, with 14987 working numbers & 4364 non-working numbers)
 - Confidence level set at 95%, which means we have 95% of confidence that the sampling error will be within this range; but for some questions which fewer than 440 respondents answered, the range of sampling error will be bigger than $\pm 4.67\%$

South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

Summary

- Trading behavior
 - About one fourth (23.9%) trade once or more a month, half (50.7%) trade once every few months or less
- Habit of viewing results
 - About one third (29.7) view result announcements on newspaper, followed by internet (18.3%)
 - Nearly half (42.7%) usually read result announcements, 21.7% pay attention to special announcements, with 17.8% IPO allotment results and 16.5% notices / results of general meetings
 - 34.5% think newspaper most reliable, followed by Internet (16.5%) and Bank (15.1%); 37.3% say newspaper is most convenient, closely followed by Internet (35.2%)
 - Newspaper rated the highest as the most reliable and convenient channel amongst aged 36 to 56 and above; yet, internet is thought to more reliable than newspaper to the aged 35 or below
- Internet accessibility
 - Nearly half (47%) have internet access both at home and work, 26.7% have access at home only and 3.7% have it at office only
 - Majority (96%) of those 35 or below have internet access; one fourth (23.7%) of aged 46 to 55 and more than half (60.5%) of aged 56 or above don't have internet access
 - Half (50.8%) use internet for Investment purpose, 37.3% use it once every few months or less.
 - The younger the people are, the more likely they use internet for investment purpose. 64.5% of aged 35 or below use at least once a week vs. 40.7% of aged 56 or above
 - About half, 48% often / sometimes use internet view results announcements, while 52% says less often or never
 - Again the youngest group has the highest % of viewing results announcements on the internet - 63% for aged 35 or below, 41.7% for aged 36 to 45, 41.2% for aged 46 to 55 and 45.5% for aged 56 or above

Summary

- Likelihood of viewing notices online
 - 71.5%* say they would view results on the internet, with 27.1%* say would not; however, (*taking into account the 156 missing responses in the subject question, 46.5% indicate they would view announcement through the internet and 17.5% indicate that they would not)
 - The youngest group, aged 35 or below has the highest tendency (92.6%) of viewing result announcements on the internet, whilst the oldest is the least (33.3%)
 - Not having internet is the key reason for the older group aged 56 or above not to view announcement

- Attitude towards the new rule
 - Nearly two third (68.2%) disagree with Result announcements, IPO allotment results, notices /results of General Meetings and special company announcements could be accessible on the internet only while only 19.4% agree
 - The younger they are the stronger opinion they have, over three fourth of aged 35 or below (74.8%) and aged 36- 45 (74.8%), 63.7% of aged 46-55 and 58.1% of aged 56 or above disagree
 - Nearly two third (65%) do not think it is sufficient for newspaper to provide a message pointing to the website instead of providing full details while 23.7% think it is sufficient
 - About three fourth of aged 35 or below (70%) and aged 36- 45 (68%), 67.1% of aged 46-55 and 49.4% of aged 56 or above do not think it is sufficient
 - 'Investors should have more choices' is the strongest reason amongst all age groups

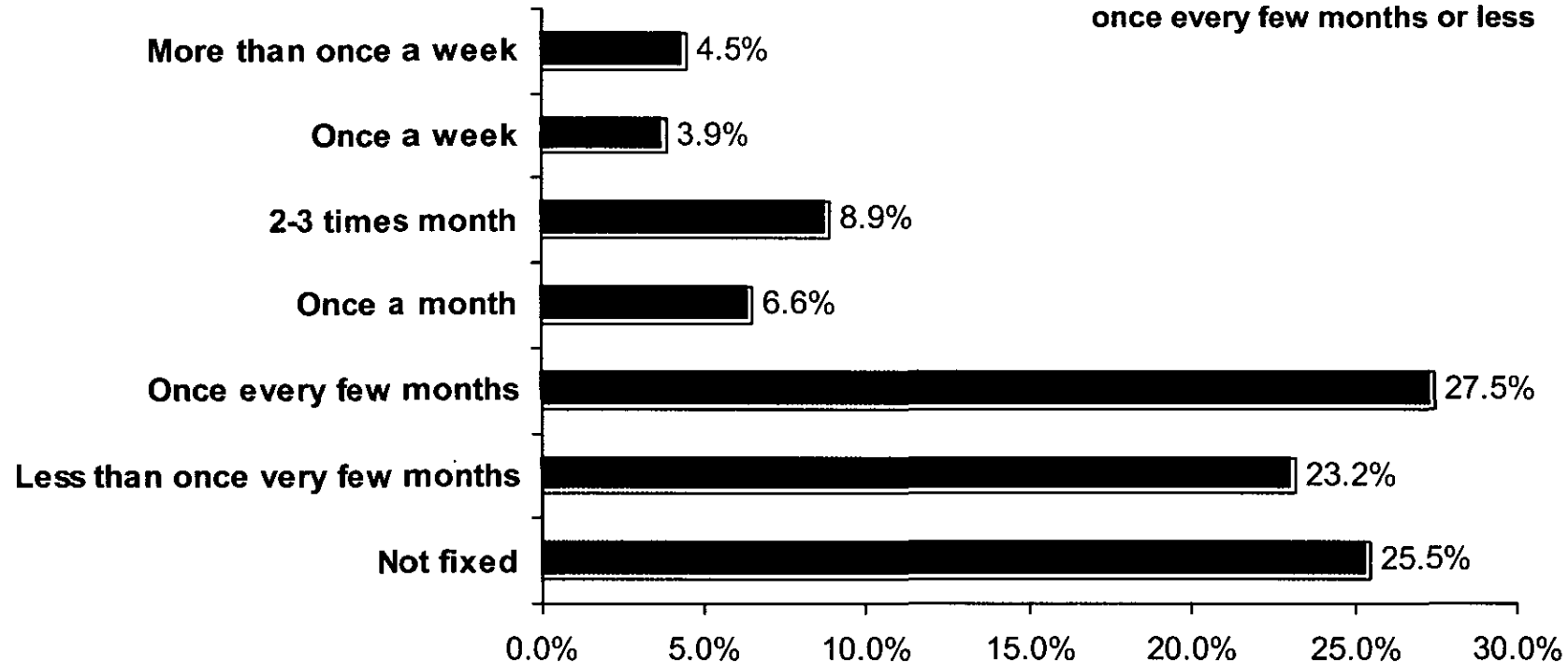
South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

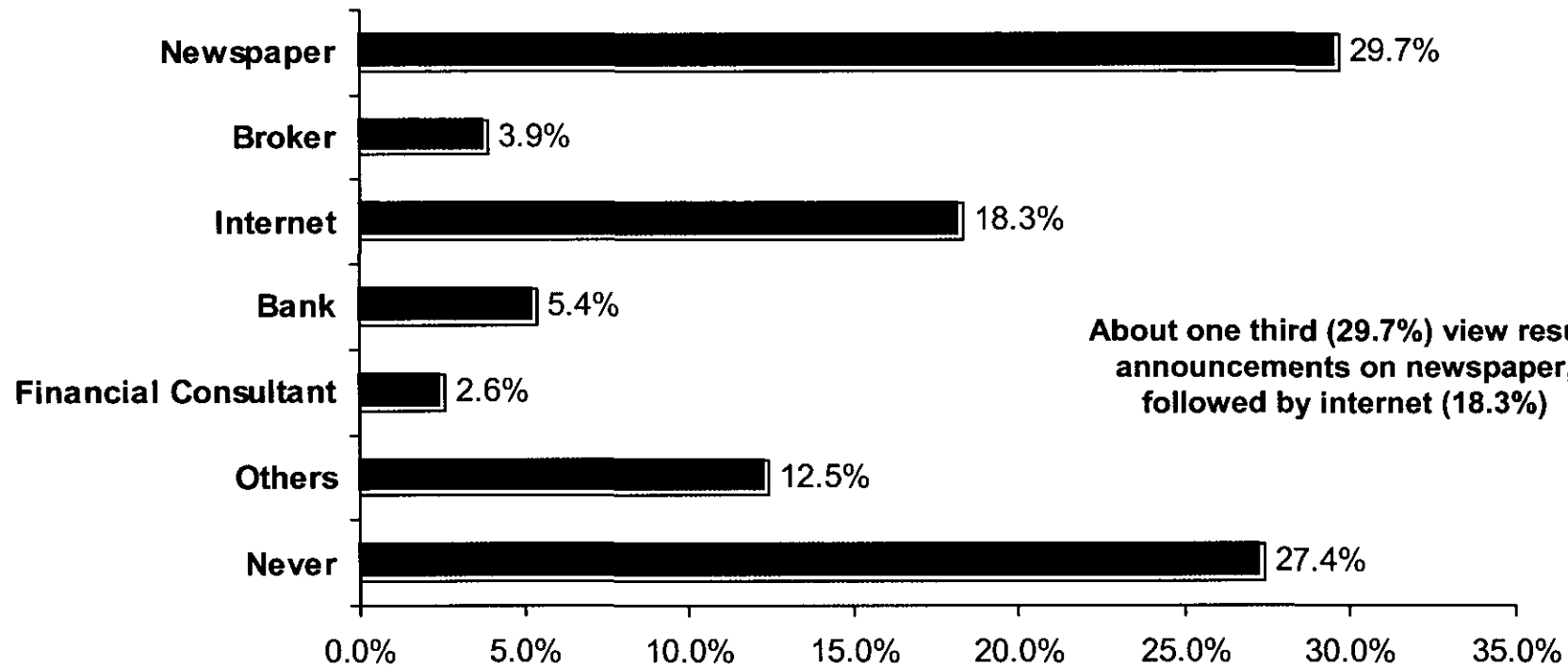
Investment Behavior

Frequency of Trading Investment

About one fourth (23.9%) trade once or more a month and half (50.7%) trade once every few months or less



Channel Used for Information

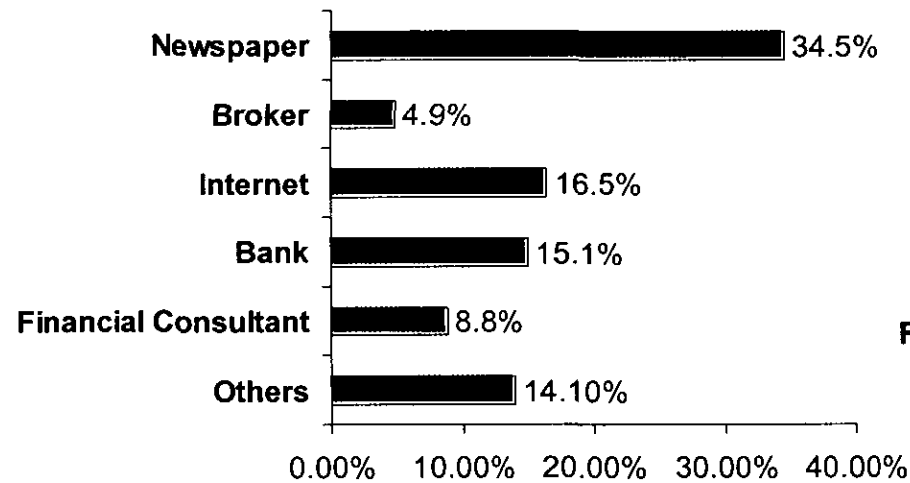


Base = 440

Multiple answers allowed

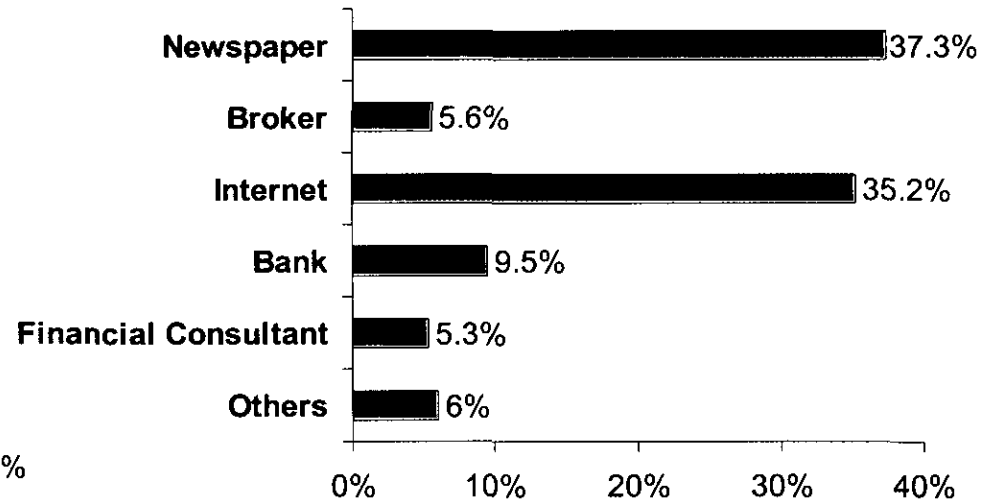
Reliability and Convenience

Which channel do you think is the most reliable



34.5% think newspaper most reliable, followed by Internet (16.5%) and Bank (15.1%)

Which channel do you think is the most convenient

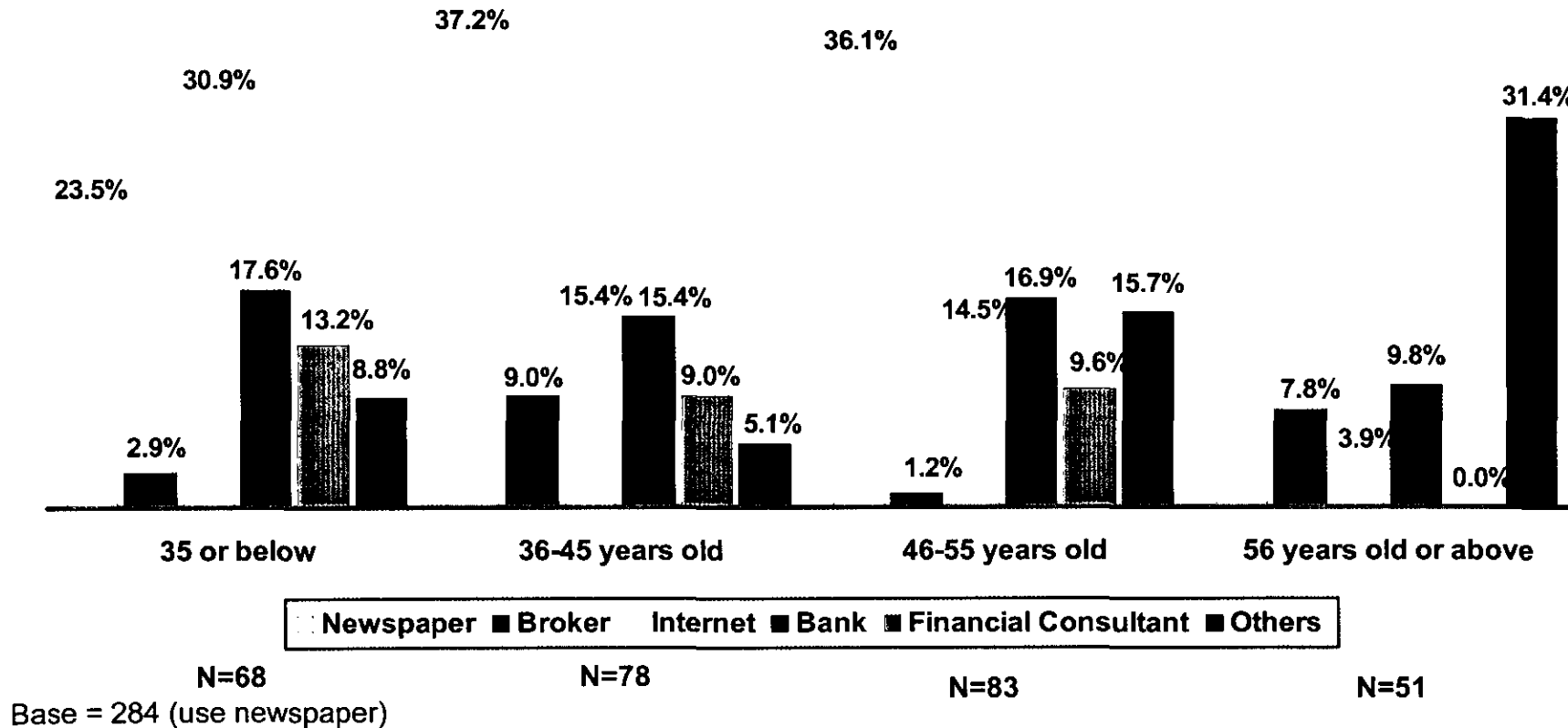


37.3% say newspaper is most convenient, closely followed by Internet (35.2%)

Base = 284 (those use newspaper)

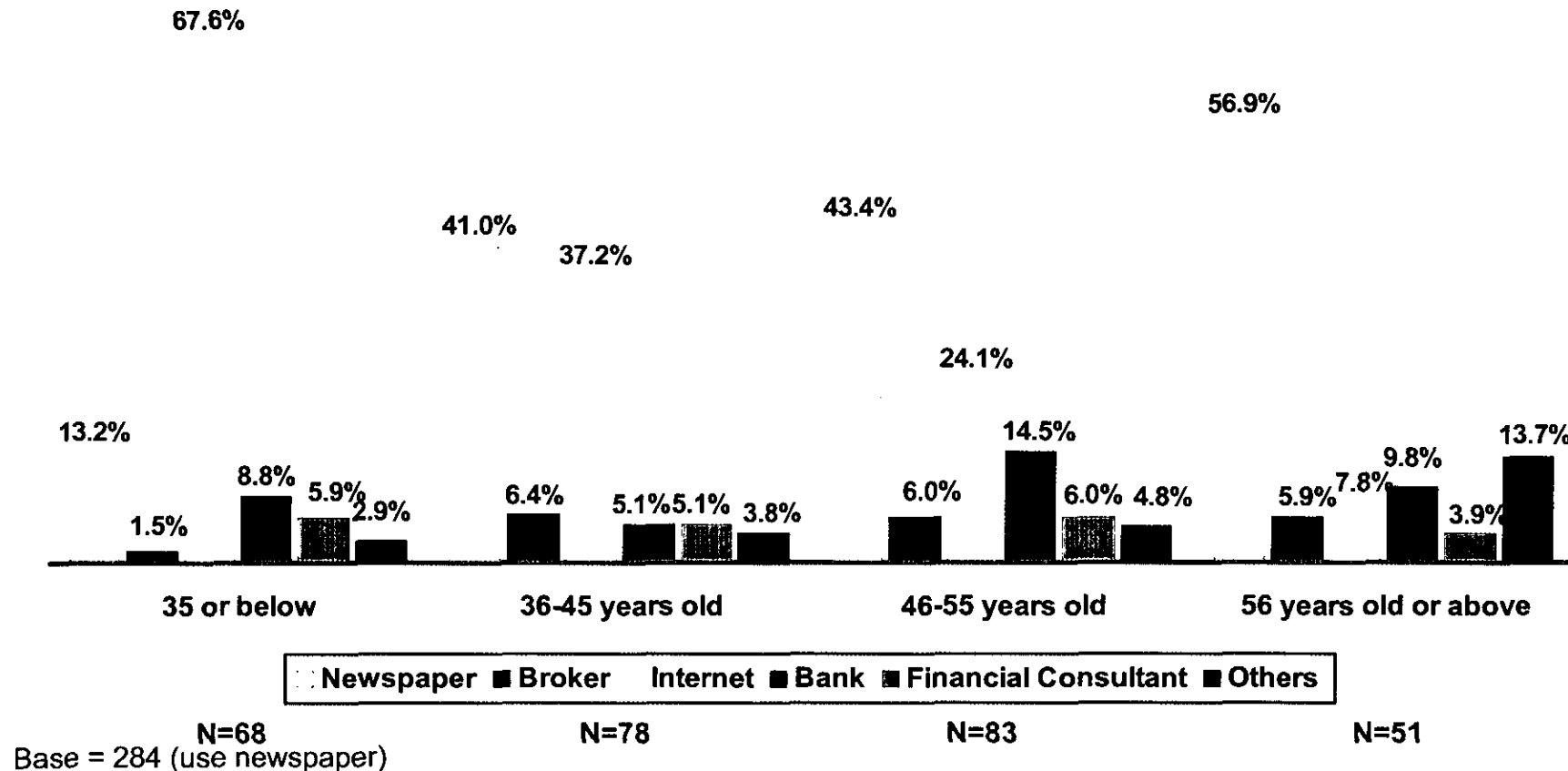
Reliability – by age

Newspaper rated the highest as the most reliable channel amongst aged 36 to 56 and above; yet, internet is thought to be more reliable than newspaper to the aged 35 or below
43.1%

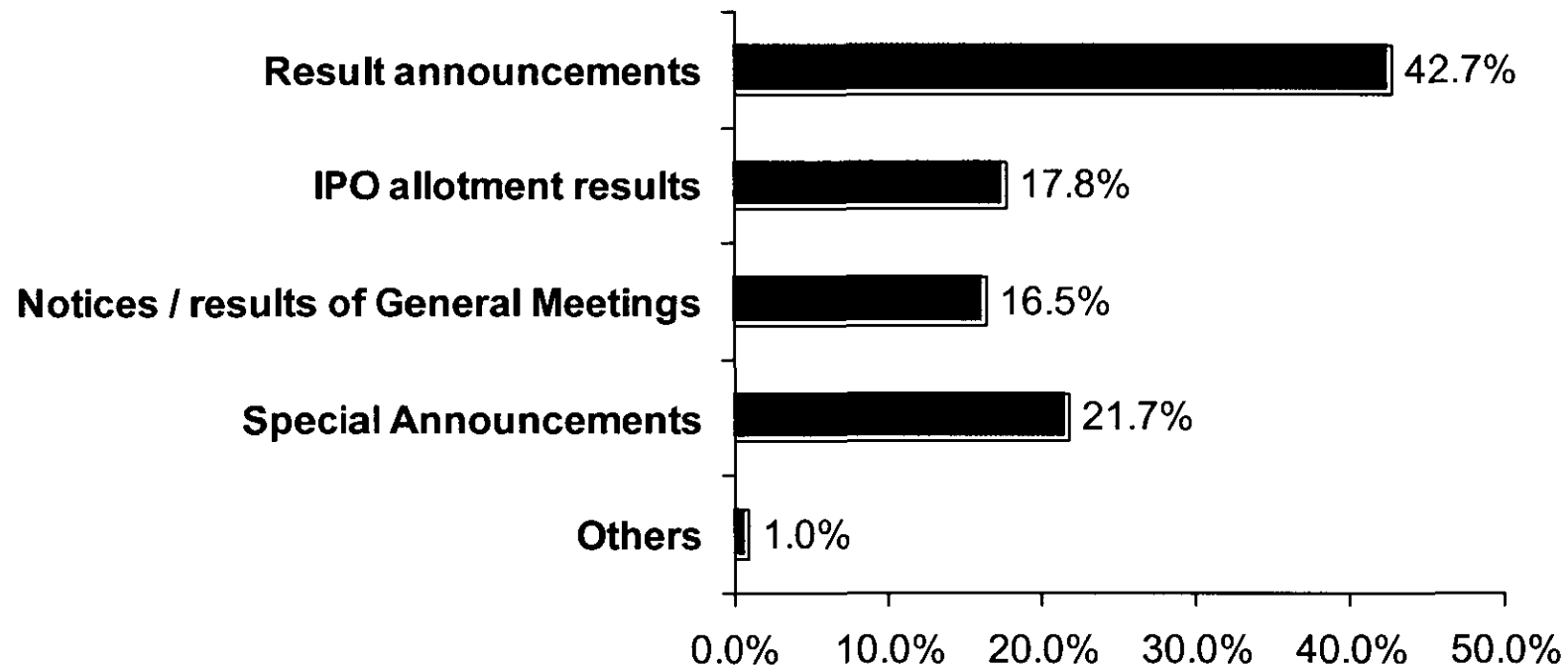


Convenience – by age

Newspaper rated the highest as the most convenient channel amongst aged 36 to 56 and above; yet, internet is thought to much more reliable than newspaper to the aged 35 or below



Kind of Announcement Read



Base = 309 (read from newspaper)

Multiple answers allowed

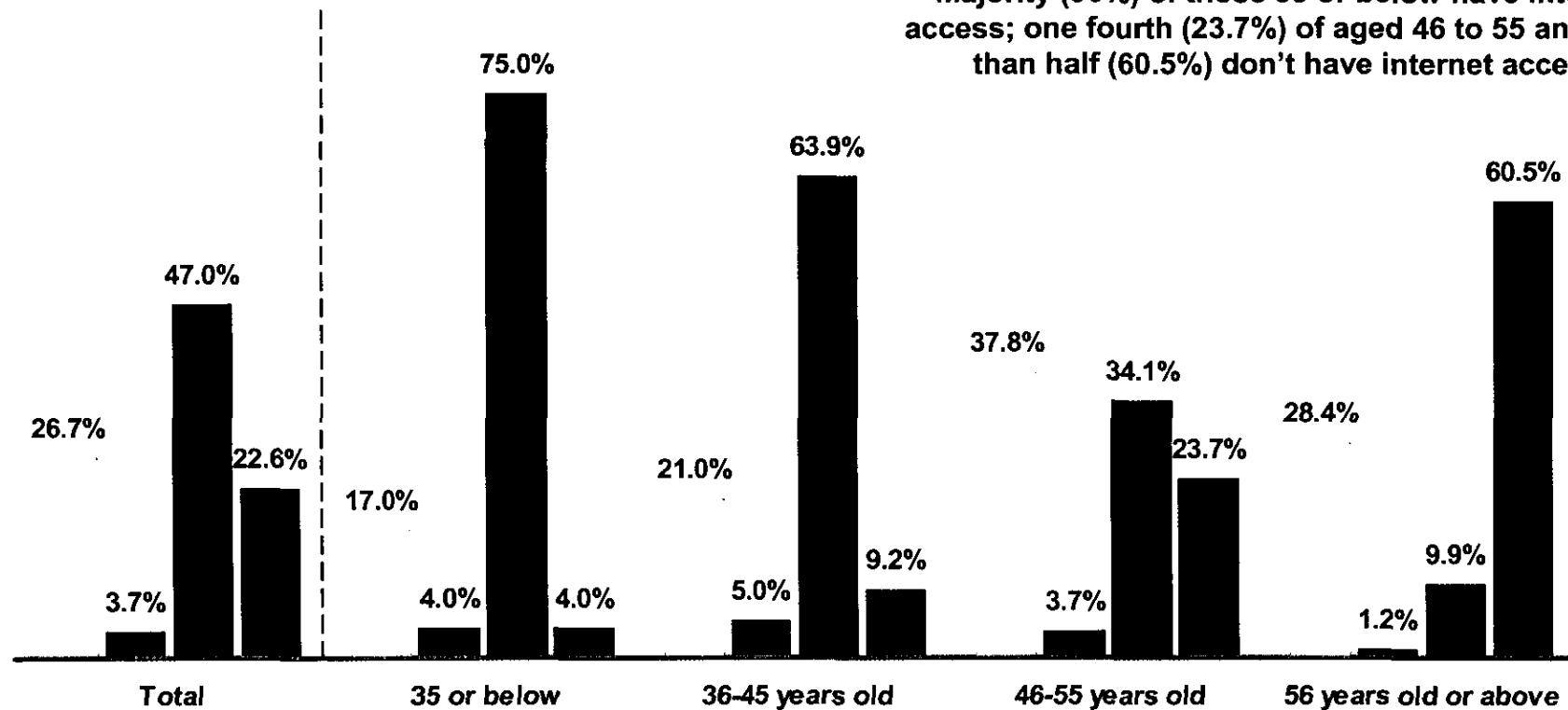
South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

Internet Access and Usage

Have Internet Access

Majority (96%) of those 35 or below have internet access; one fourth (23.7%) of aged 46 to 55 and more than half (60.5%) don't have internet access



At home only ■ At office only ■ Both home and office ■ No

N=100

N=119

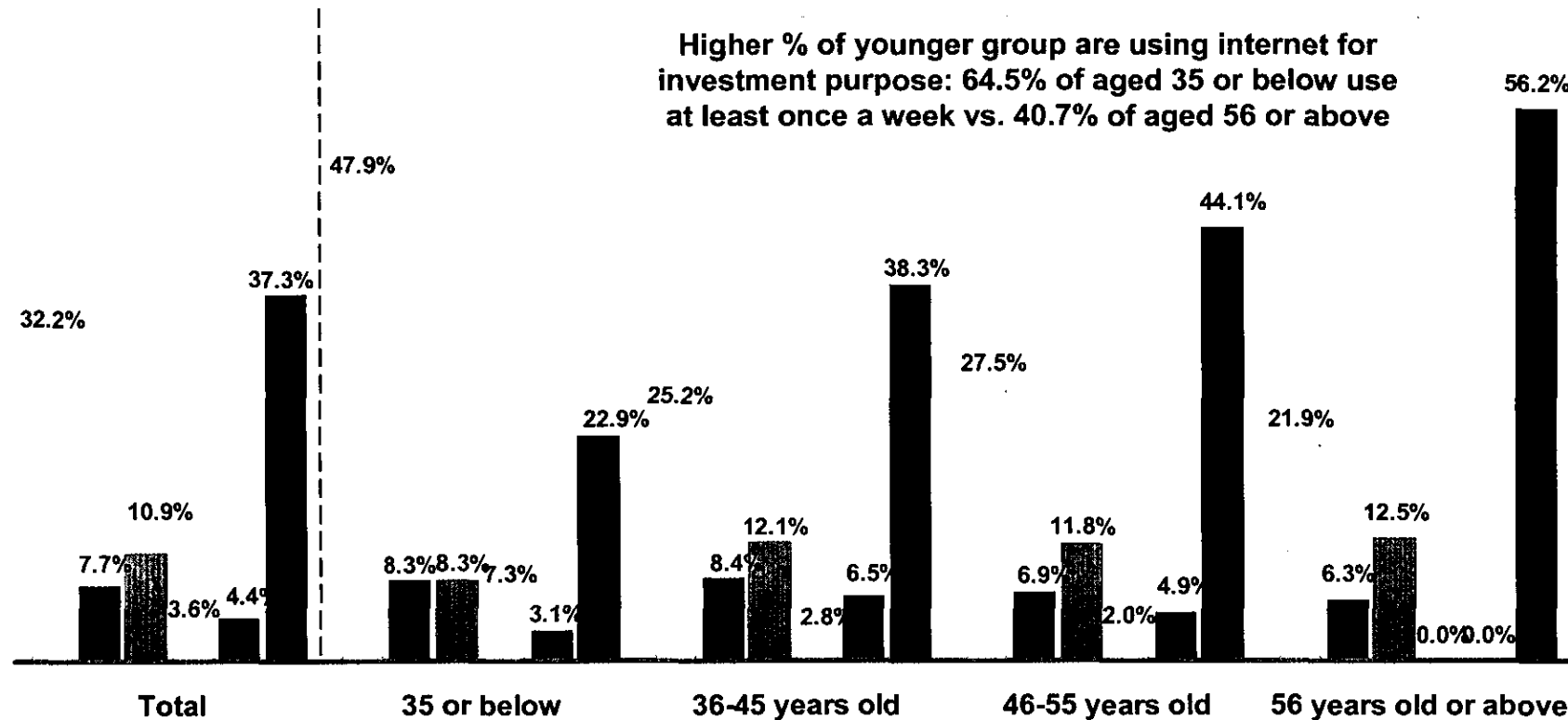
N=135

N=81

Base = 440

Use Internet for Investment Purposes

Higher % of younger group are using internet for investment purpose: 64.5% of aged 35 or below use at least once a week vs. 40.7% of aged 56 or above



Once or more than once a day
 2 to 3 times a month
 4 to 6 times a week
 Once a month
 Once to 3 times a week
 Once every few months or less

N=96

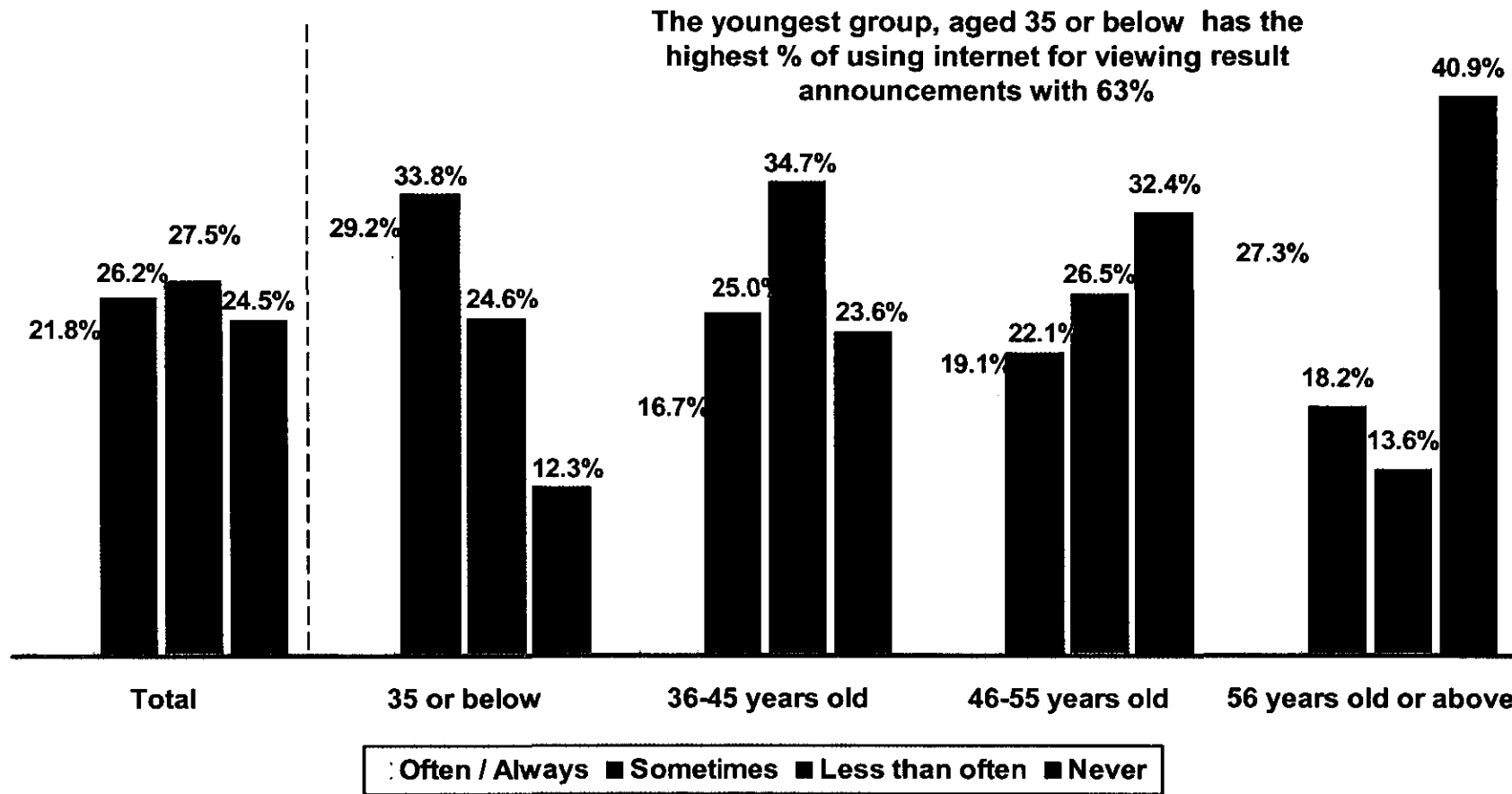
N=107

N=102

N=32

Base = 338 (with internet access)

Use Internet for looking at result announcements, IPO allotment results, notices /results of General Meetings & special company announcements before



N=65

N=72

N=68

N=22

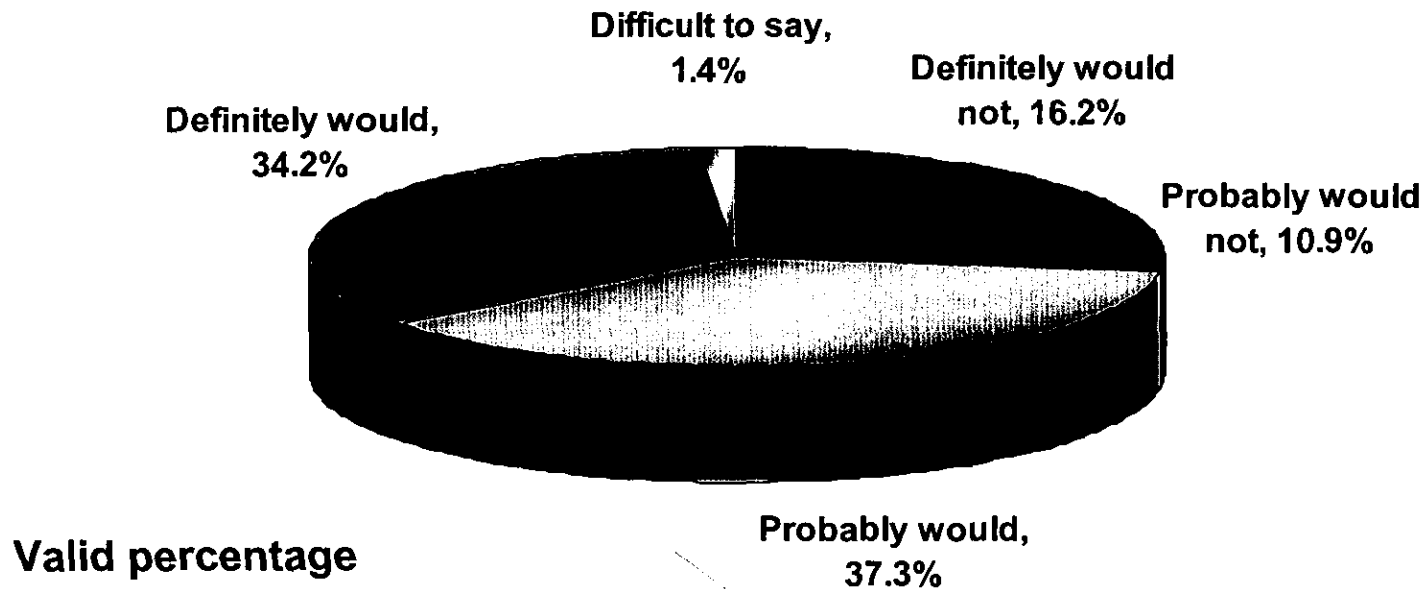
Base = 229 (with internet access)

South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

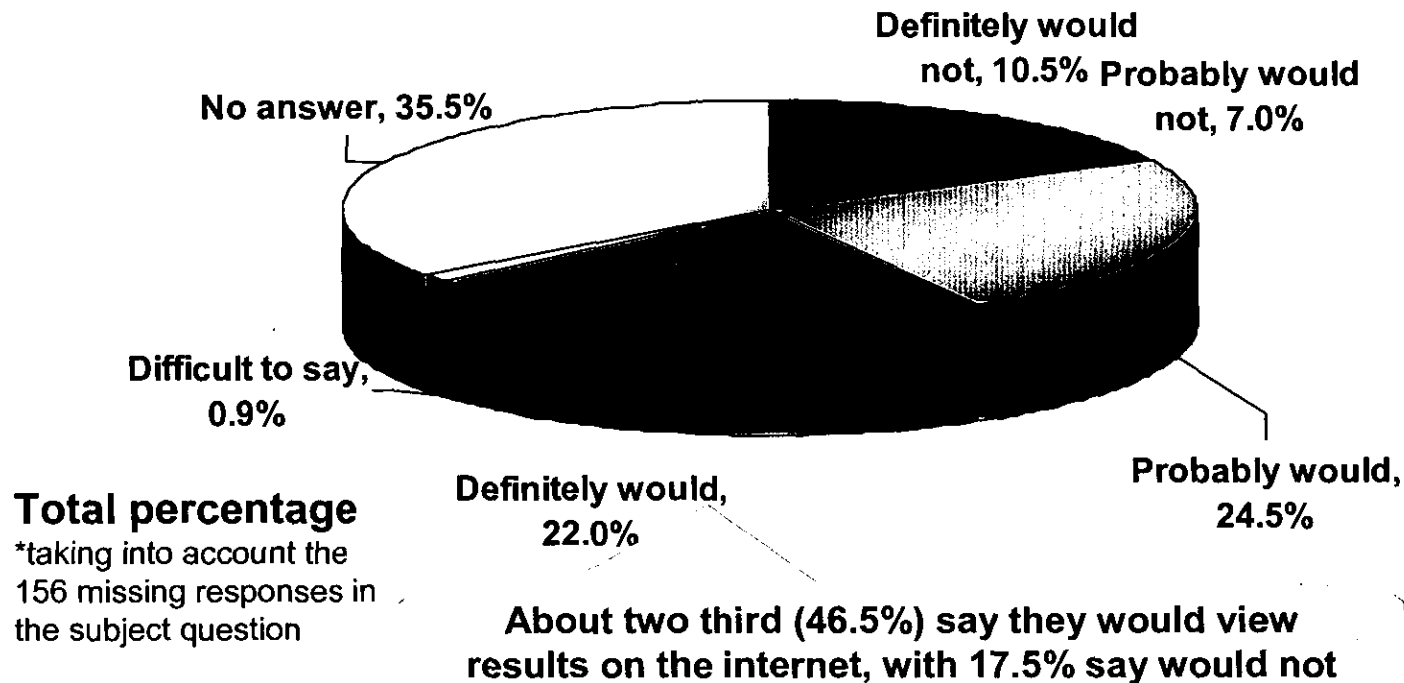
Reaction towards
announcements to be online only

Likelihood of viewing result announcements, IPO allotment results, notices /results of General Meetings & special company announcements on the internet



About three fourth (71.5%) say they would view results on the internet, with 27.1% say would not

Likelihood of viewing result announcements, IPO allotment results, notices /results of General Meetings & special company announcements on the internet



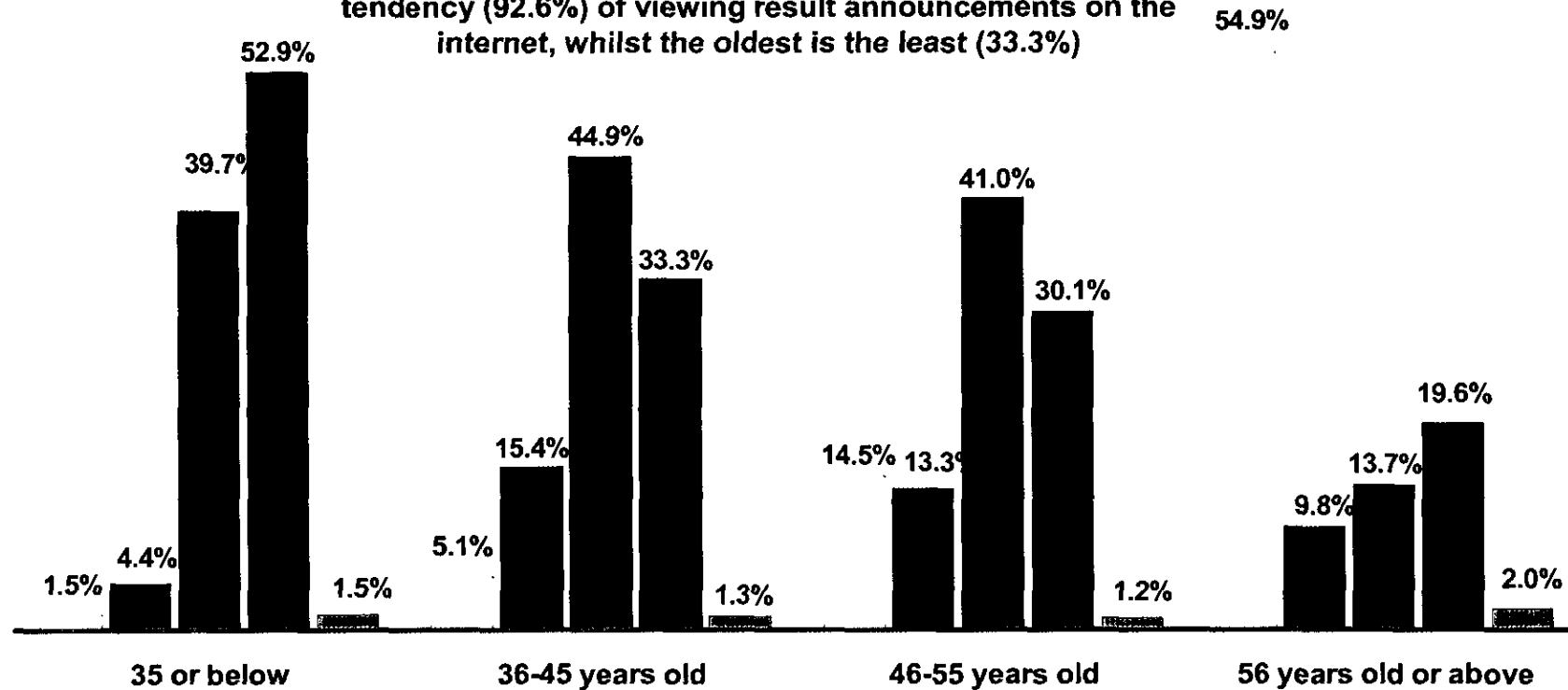
Base = 440

South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

Likelihood of viewing result announcements, IPO allotment results, notices / results of General Meetings & special company announcements only on the internet

The youngest group, aged 35 or below has the highest tendency (92.6%) of viewing result announcements on the internet, whilst the oldest is the least (33.3%)



Definitely would not ■ Probably would not ■ Probably would ■ Definitely would ■ Difficult to say

N=68

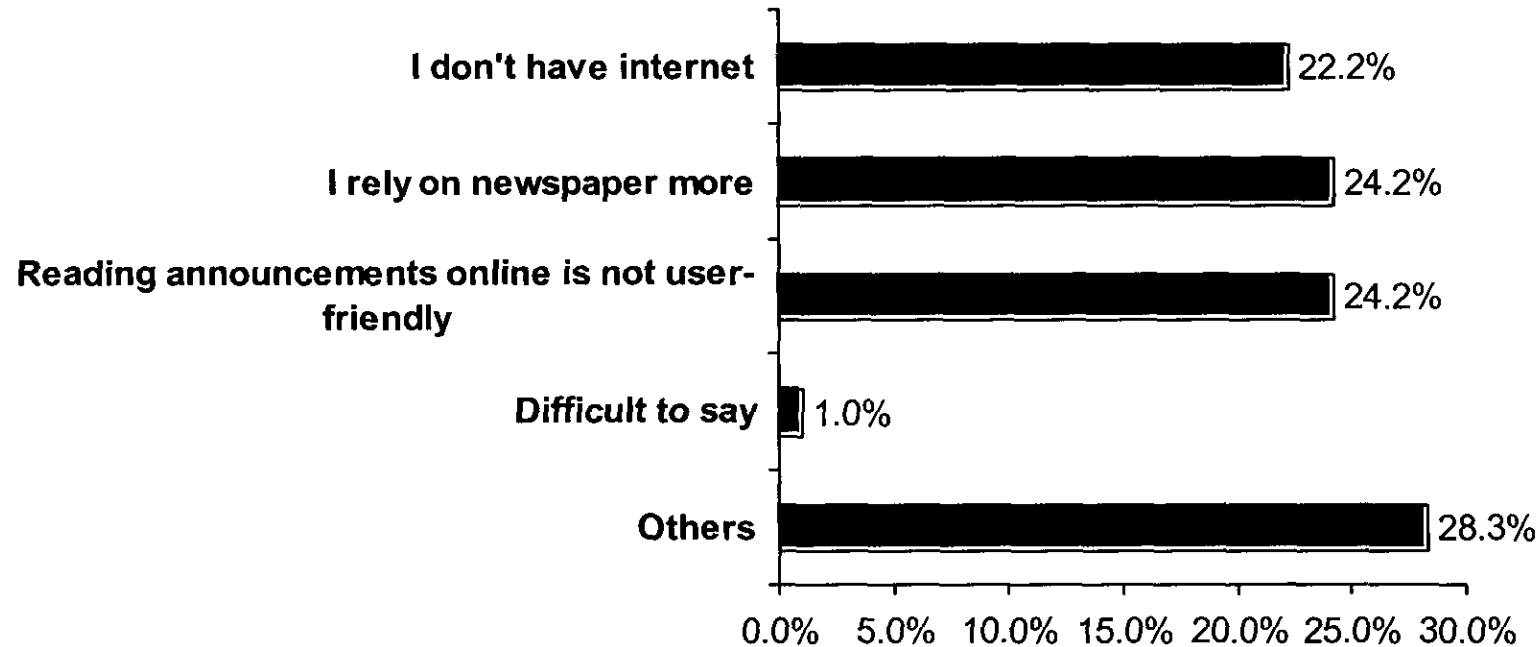
N=78

N=83

N=51

Base = 284 (156 no answer)

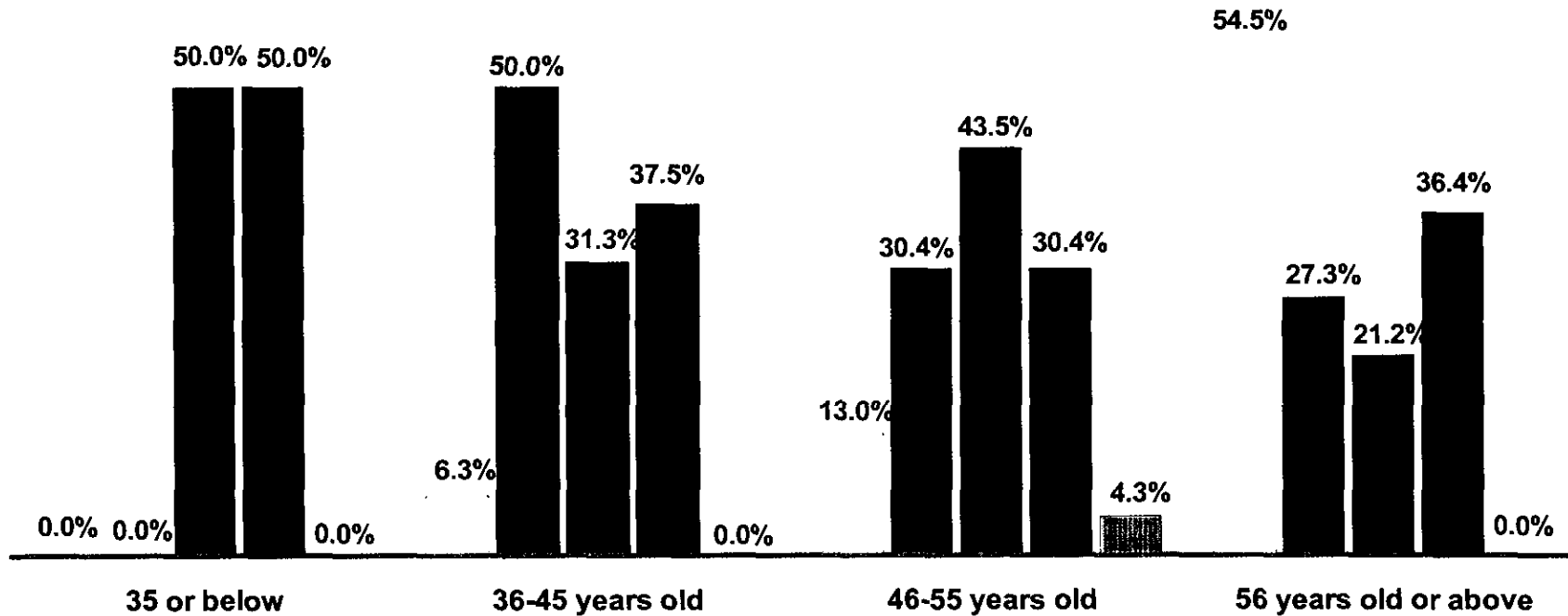
Reasons for not viewing announcements on the internet



Base = 77 (chose would not view)
Multiple answers allowed

Reasons for not viewing announcements on the internet

Not having internet is the key reason for the older group aged 56 or above not to view announcement



■ I don't have internet	■ I rely on newspaper more
■ Reading announcements online is not user-friendly	■ Others
■ Difficult to say	

Base = 77

N=4

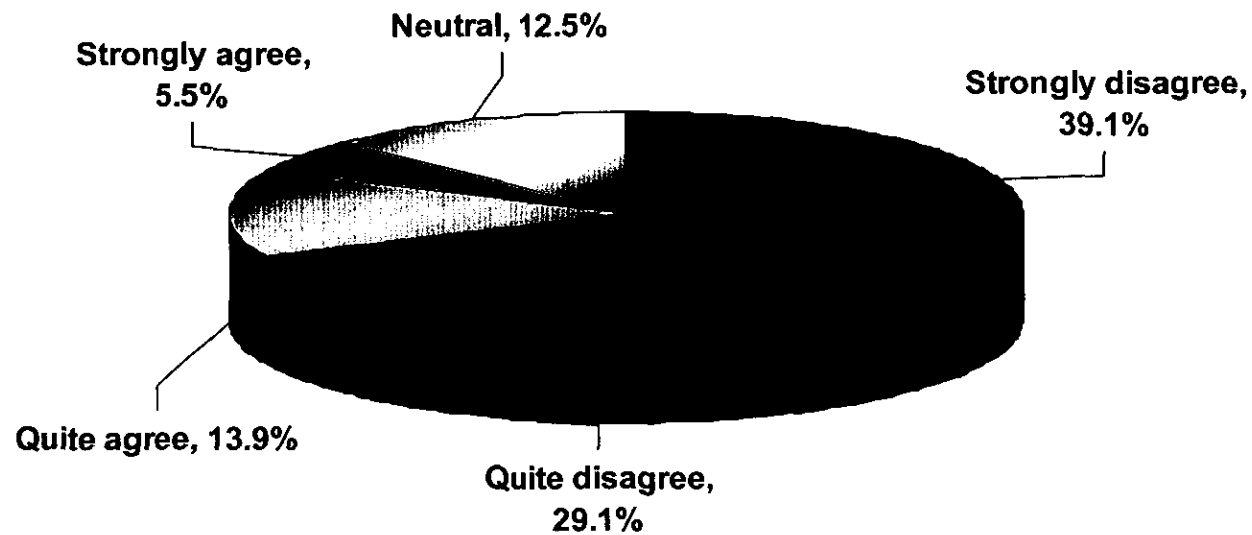
N=20

N=28

N=46

Multiple answers allowed

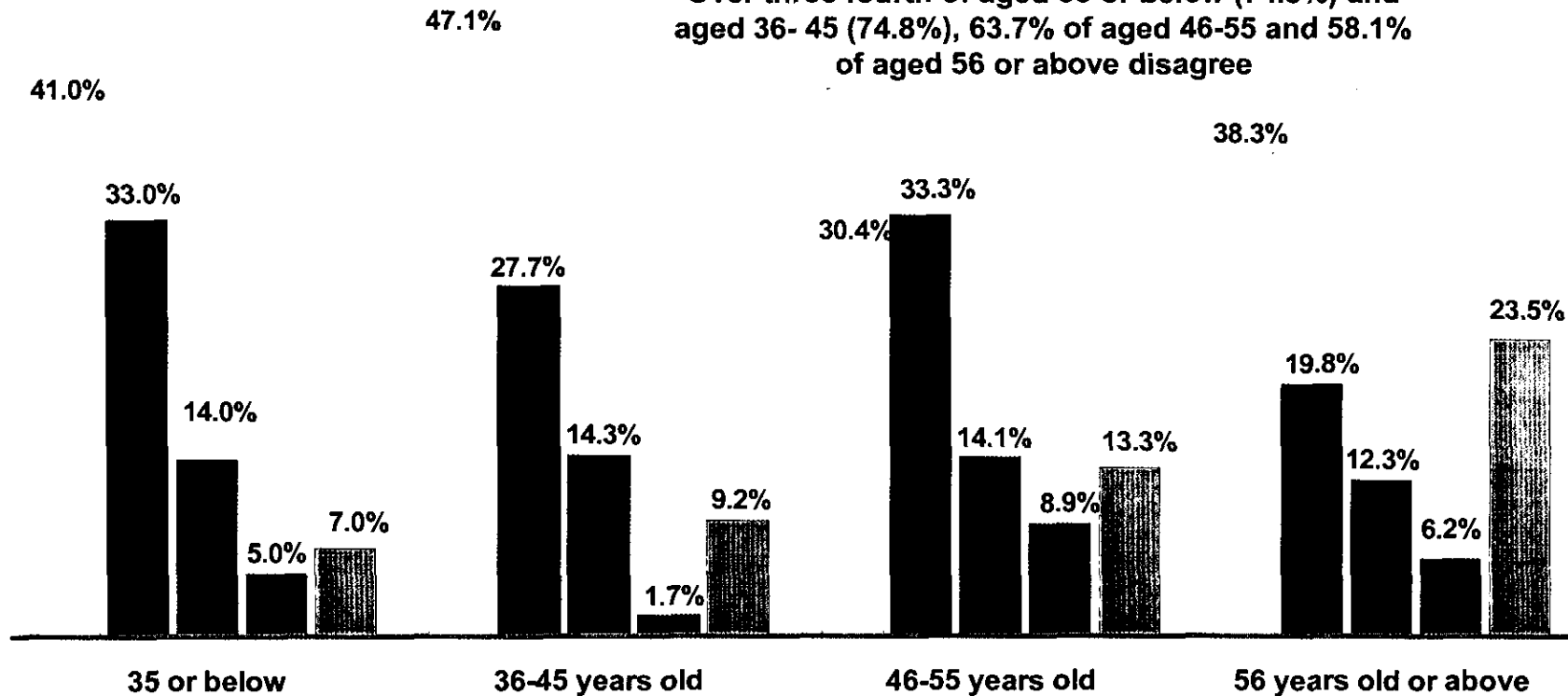
Result announcements, IPO allotment results, notices /results of General Meetings & special company announcements could be accessible on the internet only



Nearly two third (68.2%) disagree with the new rule while only 19.4% agree

Result announcements, IPO allotment results, notices /results of General Meetings & special company announcements could be accessible on the internet only

Over three fourth of aged 35 or below (74.8%) and aged 36- 45 (74.8%), 63.7% of aged 46-55 and 58.1% of aged 56 or above disagree



Strongly disagree ■ Quite disagree ■ Quite agree ■ Strongly agree ■ Neutral / Opinion

N=100

N=119

N=135

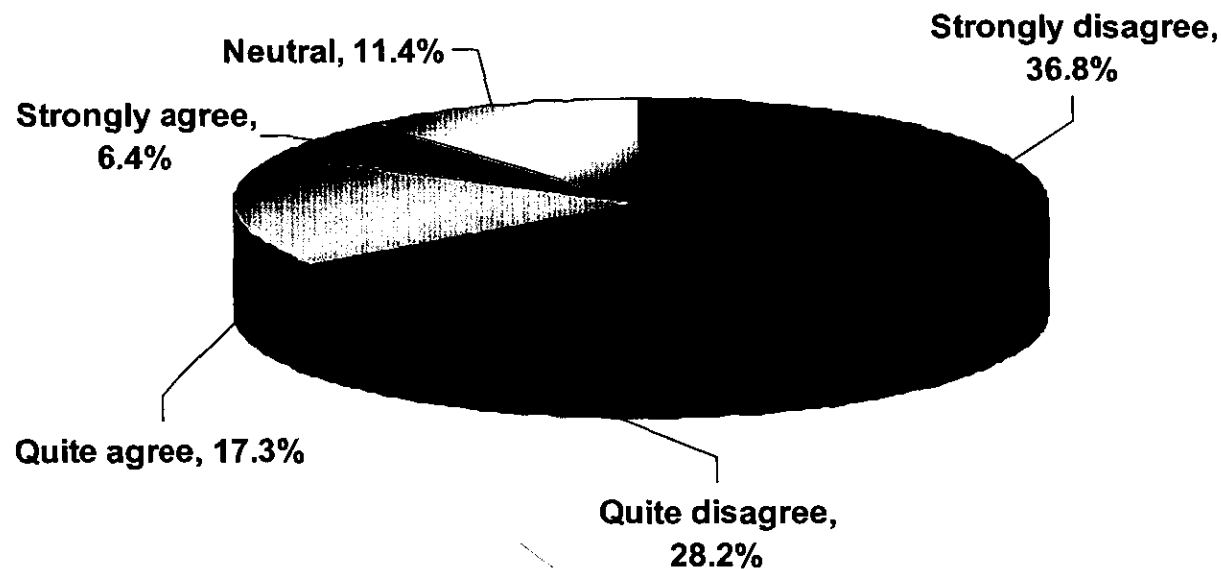
N=81

Base = 440

South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

Sufficient for list companies provide only a message in newspaper telling investors to go to the internet for announcements instead of providing full details in the newspaper?



Nearly two third (65%) do not think it is sufficient for newspaper to provide a message pointing to the website instead of providing full details while 23.7% think it is sufficient

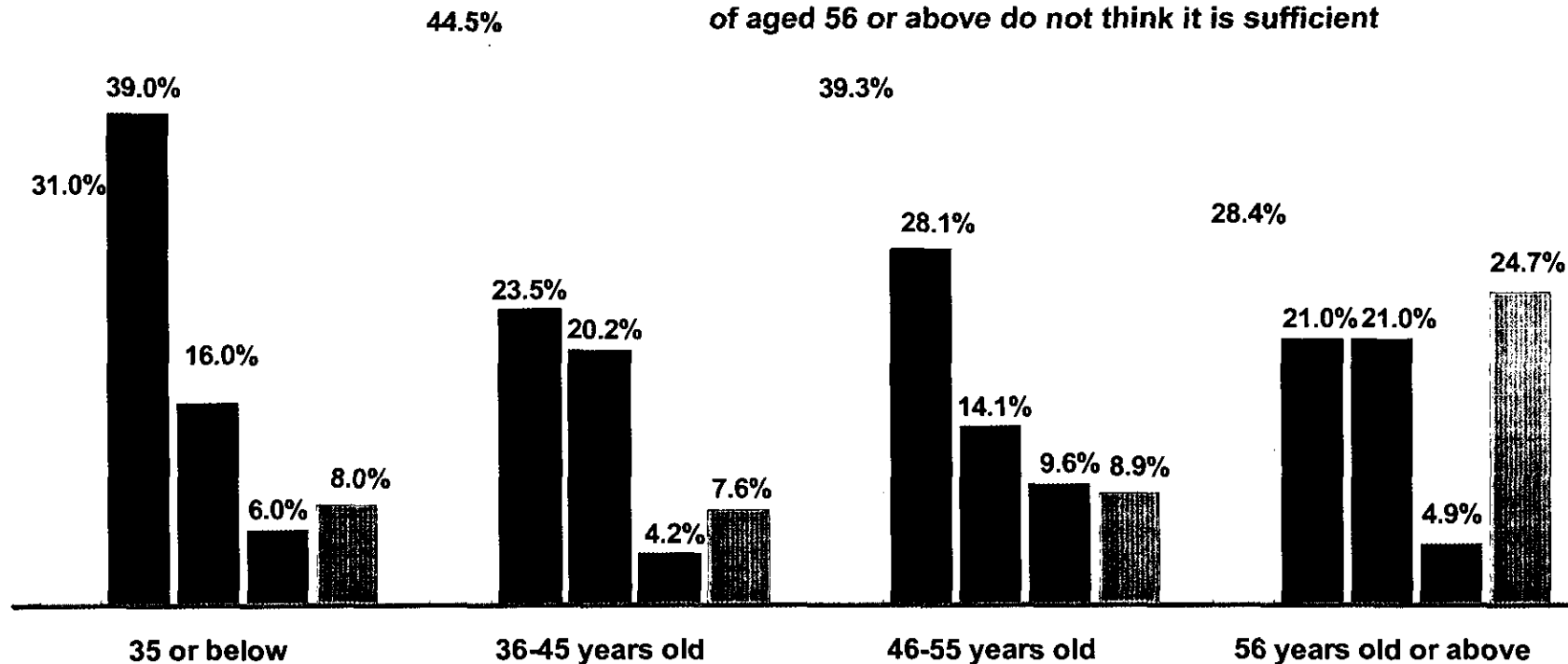
Base = 440

South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

Sufficient for list companies provide only a message in newspaper telling investors to go to the internet for announcements instead of providing full details in the newspaper?

About three fourth of aged 35 or below (70%) and aged 36- 45 (68%), 67.1% of aged 46-55 and 49.4% of aged 56 or above do not think it is sufficient



Strongly disagree ■ Quite disagree ■ Quite agree ■ Strongly agree ■ Neutral / Opinion

N=100

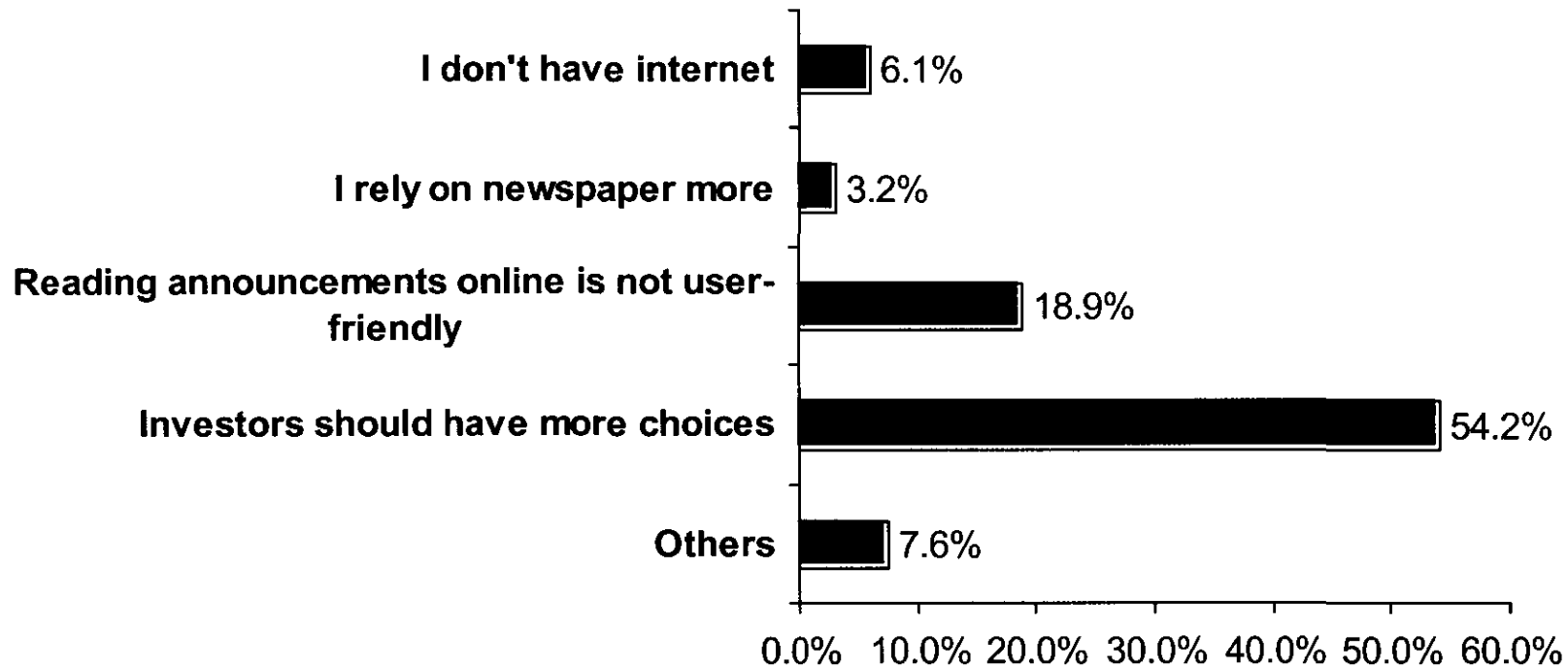
N=119

N=135

N=81

Base = 440

Why not sufficient



More than half (54.2%) think Investors should have more choices

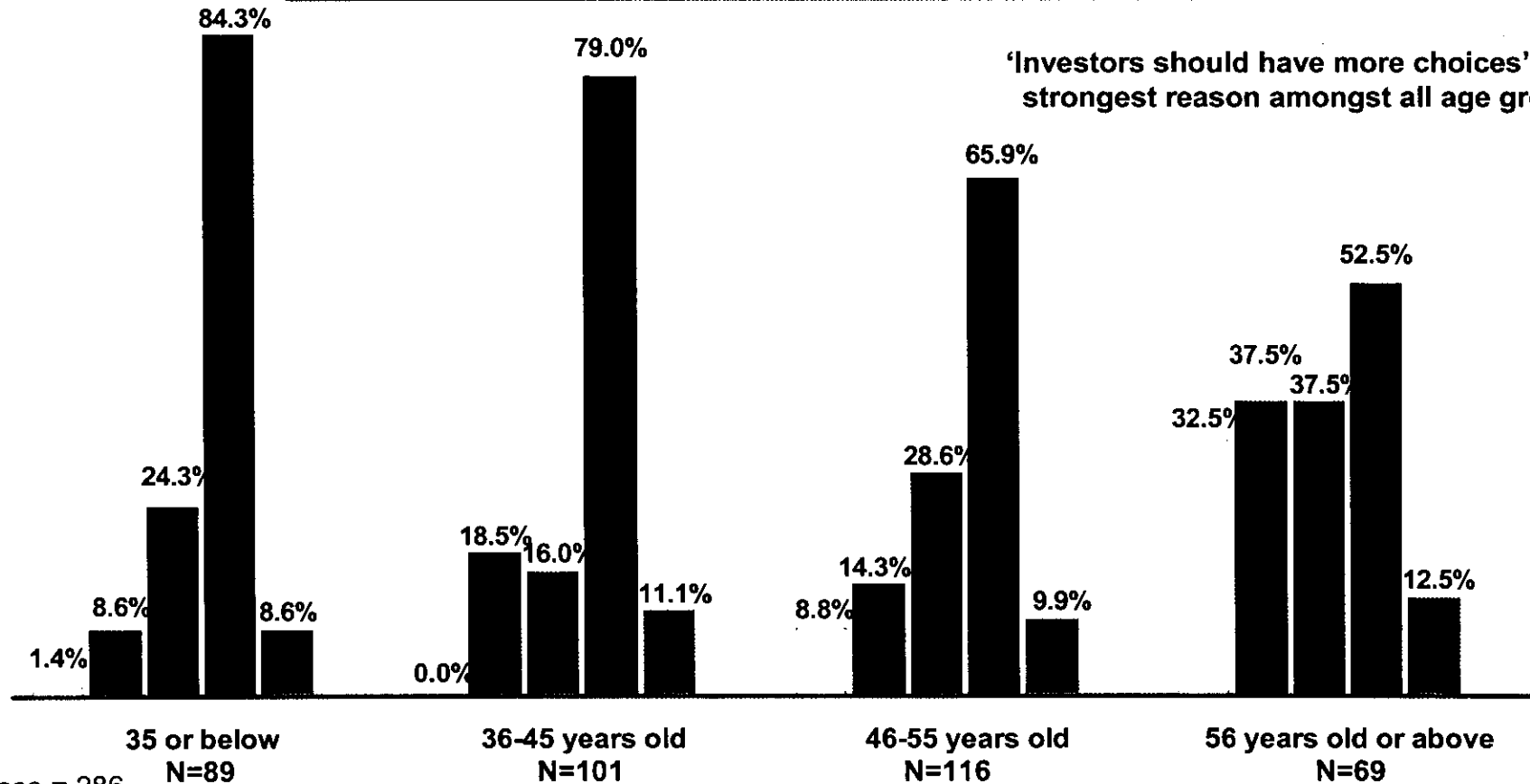
Base = 286 (chose disagree)
Multiple answers allowed

South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

Why not sufficient

- I don't have internet
- I rely on newspaper more
- Reading announcements online is not user-friendly
- Investors should have more choices
- Others
- Difficult to say



Base = 286

Multiple answers allowed

South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

Demographics

South China Morning Post

NEWSPAPER DIVISION OF SCMP GROUP

Gender

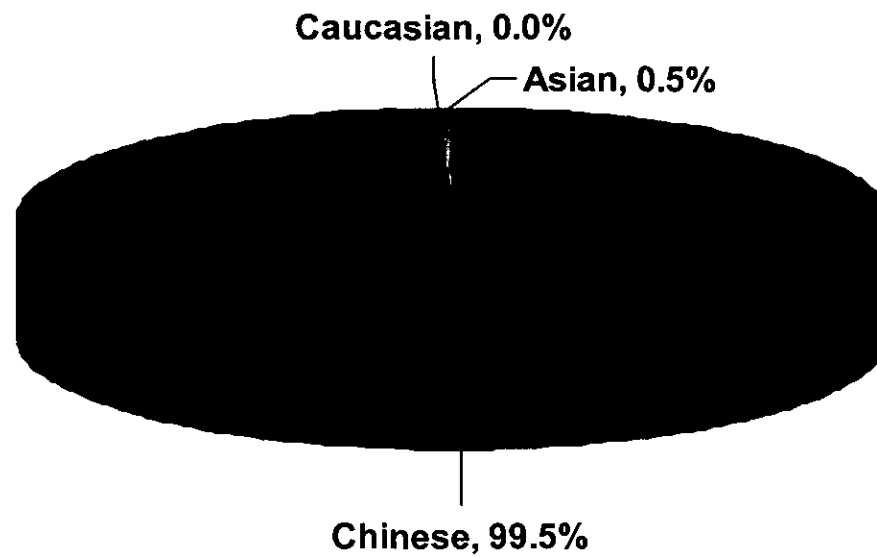


Base = 440

South China Morning Post

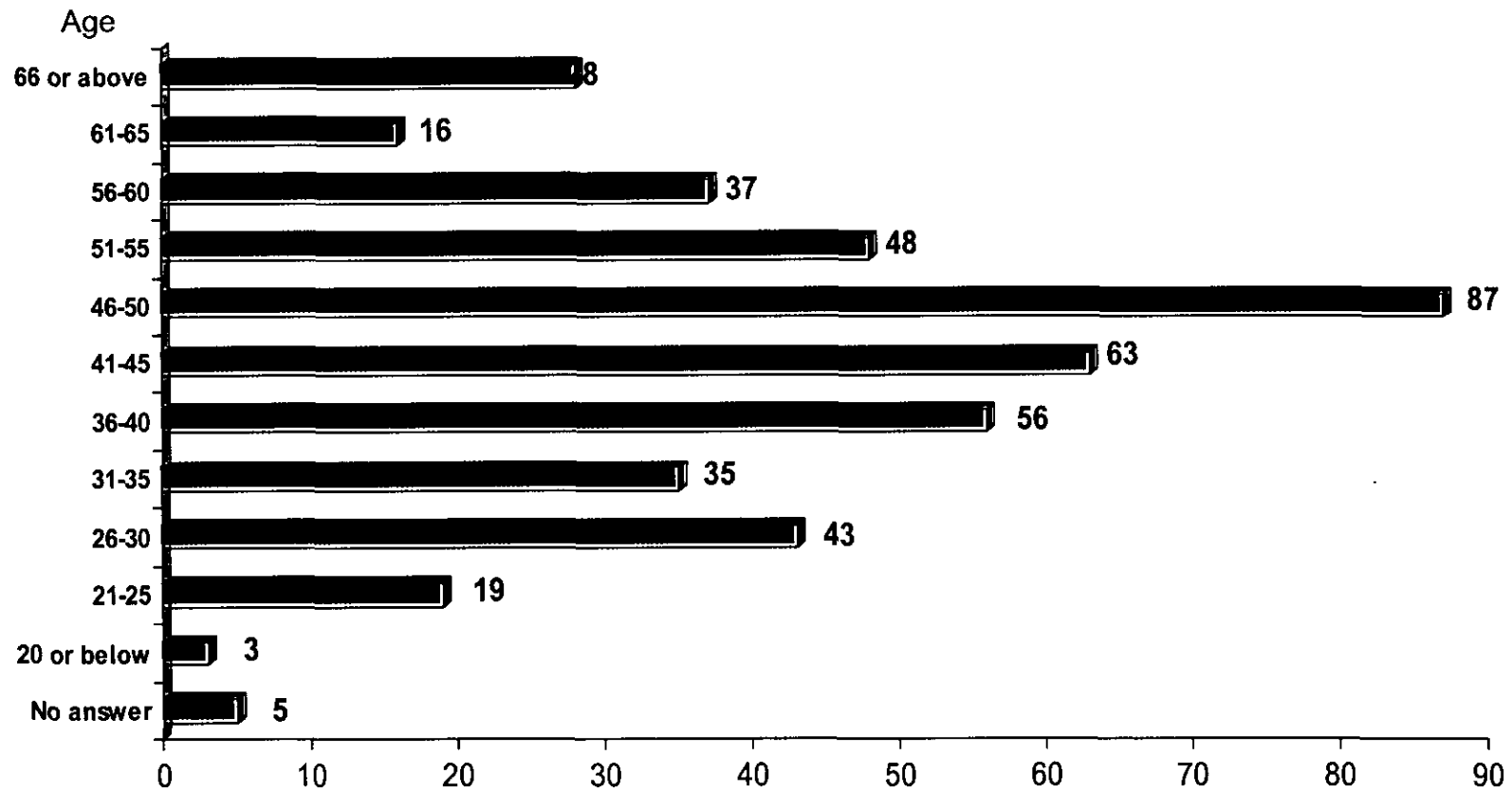
NEWSPAPER DIVISION OF SCMP GROUP

Ethnicity



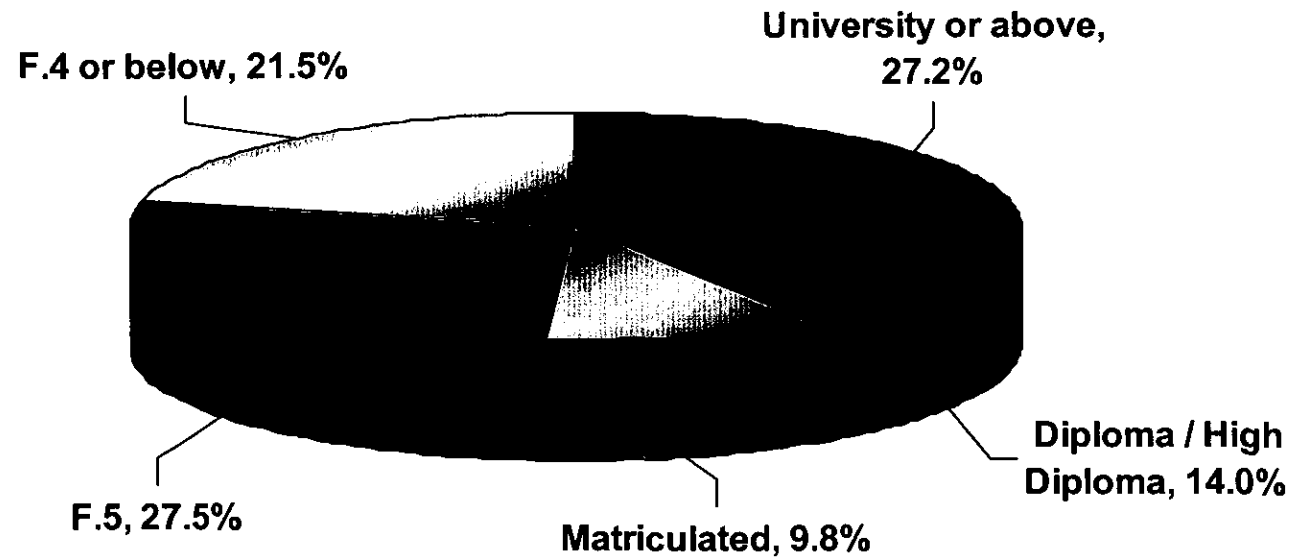
Base = 440

Age



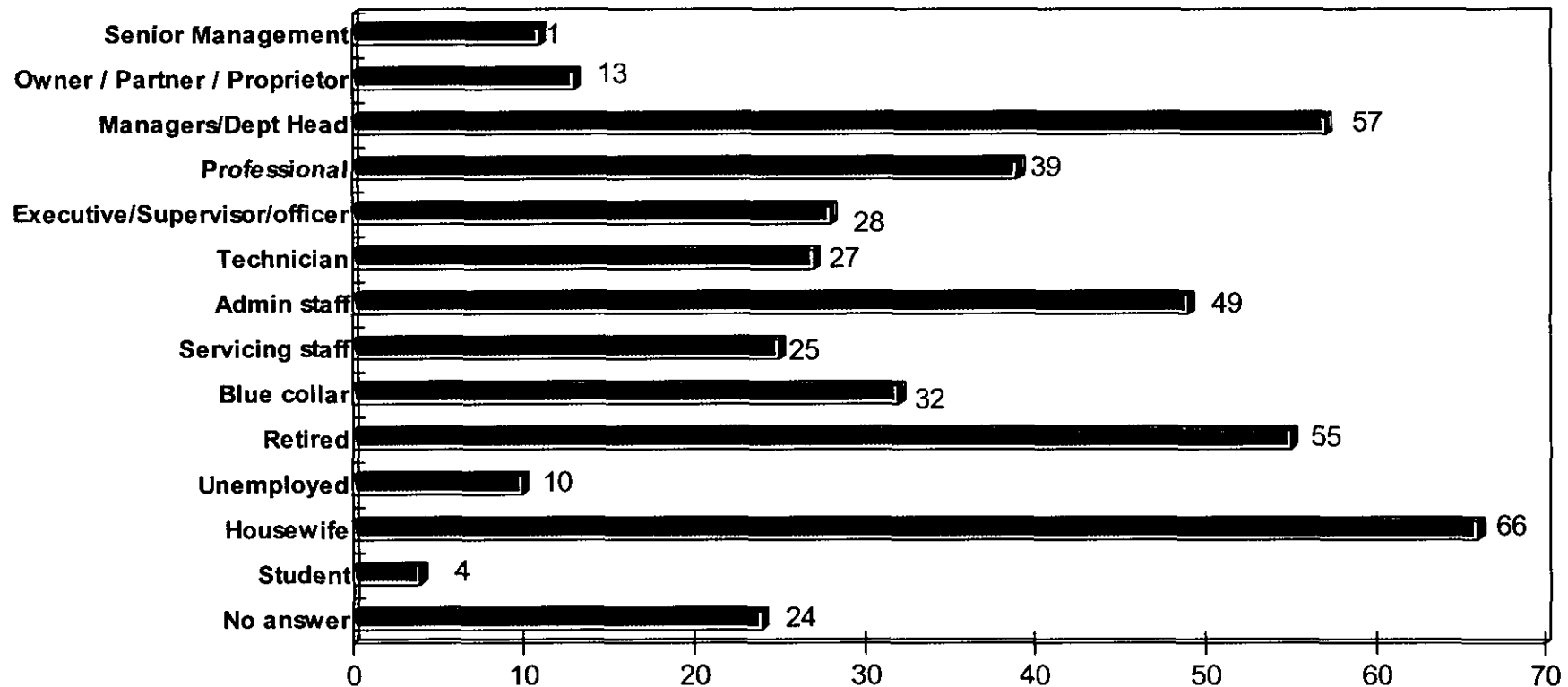
Base = 440

Education

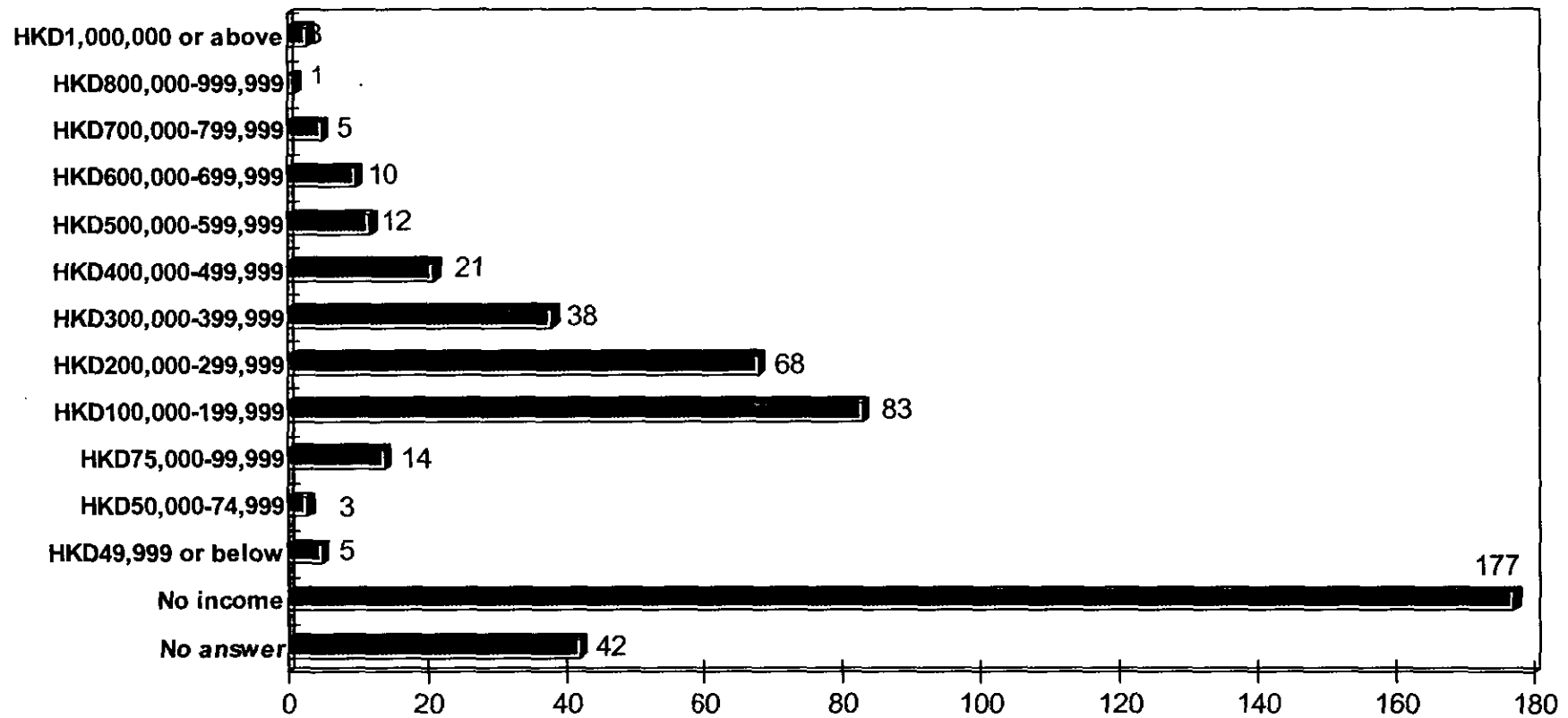


Base = 440

Occupation

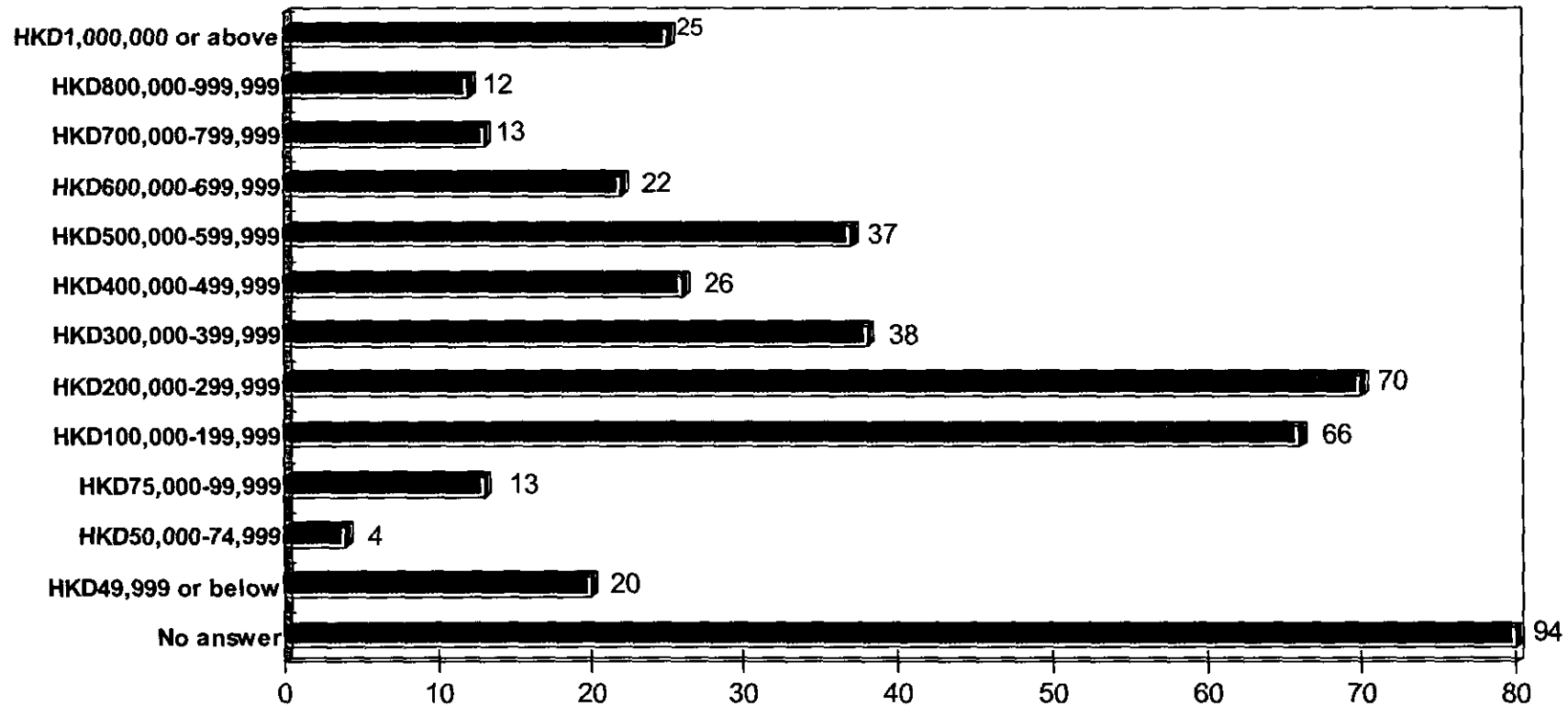


Annual Personal Income



Base =440

Annual Household Income



Base =440

房屋及規劃地政局局長：主席，正如我在主體答覆中指出，檢討是在 1984 年完成的。當時政府的考慮可能跟現時不同，大家也記得當時住屋的考慮是非常殷切的，很多地方的用地不足，所以，政府便考慮運用這些土地的發展潛力。如果保留這種形式，便未能盡用土地的發展潛力，等於浪費了該幅土地。當時的考慮與現時有些不同，當時的決定是釋放潛力，並考慮到土地的價值方面，按這等原則確保政府在土地收益方面不會有損失。

主席：本會就這項質詢已用了超過 16 分鐘。現在是最後一項補充質詢。

譚香文議員：主席，針對使用即將屆滿的土地，當局會以甚麼準則決定土地使用權的問題？例如會否收回土地後再以競投方式出售、批出土地，或要求土地使用權的擁有者補地價？

房屋及規劃地政局局長：主席，如果指期限即將屆滿的土地，現時的情況並不屬於這一類，這項質詢所提的土地期限並未屆滿。其實，現時所指的土地性質，範圍是很狹窄的，只有 27 幅土地是作這種用途，而且大部分已改變了用途，現時只剩下很小部分，並不存在屆滿的問題。主席已容許我把事實說出來，我也不知道可如何回答這項補充質詢。

主席：第二項質詢。

發鈔銀行關閉分行

Closure of Branches by Note-issuing Banks

2. 陳偉業議員：主席，本人發現，近年有發鈔銀行關閉設於多個公共屋邨的地區分行，例如滙豐銀行關閉了設於梨木樹邨、石圍角邨、安定邨、友愛邨及大澳的地區分行，並縮短其設於梅窩的地區分行的服務時間。另一方面，新建的公共屋邨，例如天水圍及東涌的公共屋邨，亦有居民多次要求該銀行在有關屋邨設置分行或櫃員機，但遭拒絕。鑒於發鈔銀行減少地區分行數目，對不少市民，特別是接受綜合社會保障援助（“綜援”）的人士，造成極大不便，政府可否告知本會：

- (一) 過去 5 年，每年各發鈔銀行在香港設立分行的數目，以及這些銀行有沒有責任向市民提供基本服務；
- (二) 會不會在發鈔銀行不斷減少地區分行服務的情況下，考慮取消它們擔任發鈔銀行的資格；若會，詳情是甚麼；若不會，原因是甚麼；及
- (三) 會不會在非發鈔銀行的服務，較發鈔銀行更能照顧普羅市民的需要及利益的情況下，考慮容許它們擔任發鈔銀行；若會，詳情是甚麼；若不會，原因是甚麼？

財經事務及庫務局局長：主席，

- (一) 根據香港金融管理局（“金管局”）的統計數字，3 間發鈔銀行的分行總數，由 2001 年 1 月的 580 間，減少至現時的 422 間。這主要是因為隨着電子銀行服務日趨普及，客戶透過分行處理銀行業務的數量減少，銀行因而調整其分行網絡。

發鈔銀行的責任是必須保持一個有效率的紙幣分發網絡，令它們發行的紙幣快捷地通過銀行體系分發，以滿足市民的需要。在提供銀行服務上，發鈔銀行與其他銀行並無不同，同樣是基於商業考慮而作出它們的決定。

- (二) 發鈔銀行的主要責任是根據《法定貨幣紙幣發行條例》（第 65 章）及財政司司長指示的條款，保持香港整體發鈔運作和鈔票供應穩定。發鈔銀行負責儲存和處理鈔票提存，以應付市民對紙幣的需求。至於銀行的地區分行服務及增加或減少分行的數目，則屬於它們的商業決定。
- (三) 現時香港由 3 間發鈔銀行通過它們的分發網絡，已提供足夠和穩定的紙幣供應。我們認為現時沒有需要增加發鈔銀行的數目。

與其他的私營機構一樣，銀行在按商業原則經營的同時，相信亦會履行企業社會責任，顧及市民的需要。政府鼓勵銀行履行企業社會責任，但具體的做法當然是由個別機構自行決定。

陳偉業議員：主席，政府的答覆仿似銀行代表的答覆，完全不像政府應有的態度。主席，我希望你作出指示，因為我的主體質詢是詢問局長各發鈔銀行分行的數目，但他只提供了總數，而沒有提供個別銀行分行的總數，希望局長可在會後提交個別銀行分行的數目，因為這是很重要的。

主席，我的跟進質詢是關於主體答覆的最後一段，政府表示會鼓勵銀行履行企業社會責任。我在主體質詢中列出這麼多間銀行關閉其地區分行，對市民造成不便。請問局長，政府在過去 5 年，看到多間銀行關閉其地區分行，令市民無法使用銀行服務，政府有否做甚麼工作，以鼓勵有關銀行提供服務；如果過去沒有，從今天開始，政府如何鼓勵有關銀行，確保它們會提供適切的服務給市民，特別是低下階層的市民？

財經事務及庫務局局長：主席，並不是所有發鈔銀行都會在其年報內透露其分行和櫃員機的數目，而為了避免觸犯《銀行業條例》內的保密規定，請恕我們不能提供陳議員所需的資料。

我想談談服務方面，大家也知道，在過去數年，銀行業在服務方面已經有了很大的轉變，由過往我們要自行步入分行取用服務，現已變為使用櫃員機，而櫃員機亦可以提供多種不同的服務，例如提款、存款、帳戶查詢，甚至訂支票簿等都可以做到。再者，很多銀行現已設有網上銀行服務，同時亦有多間銀行設置電話銀行服務。在很多範疇上，銀行營運的形式已經改變了。所以，正如我剛才在主體答覆中所說，雖然銀行分行的數目是減少了，但從商業的角度來考慮，銀行業界也有競爭，香港銀行的數目確實不少，它們是不能不提高競爭力的，所以，這些銀行亦不能不按照商業原則來運作。

陳議員剛才問及政府如何鼓勵銀行履行其企業社會責任，我們就這方面經常跟銀行業的高層聯絡，也瞭解銀行商業運作的問題，但我們亦不時向這些高層反映市民的需求。以我本人為例，我跟多間大型銀行聯絡時，也會提醒它們要照顧市民的需求。有時候，有些分行雖然是關閉了，但可能有其他銀行在該區開設分行。我可向陳議員舉出一個例子，我在 30 年前是居住在愛民邨的，該區有兩間發鈔銀行的分行，也有一間非發鈔銀行的分行，但今天情況已經轉變了，現時有一間發鈔銀行在該處設置了櫃員機，而有另外兩間銀行則在該處開設分行。換言之，有些情況是轉變了，但這是屬於商業運作的決定，政府不能規定銀行一定要做甚麼，一定要在哪裏開設分行，因這跟設立發鈔銀行的目的並不相配合。

陳偉業議員：主席，局長沒有回答我的補充質詢，我詢問他如何提供適切的服務給市民，特別是低下階層的市民，但局長沒有回答銀行如何為低下階層市民提供服務？

財經事務及庫務局局長：主席，我不明白陳議員所謂的低下階層是指甚麼，因為所有市民都應該享有銀行服務，我不認為對低下階層的服務或對陳議員作為議員的服務應該有分別，所以我不太明白問題的意思是甚麼。不過，所有市民都應有享用銀行服務的權利。

主席：共有 12 位議員在輪候，希望就這項質詢提出補充質詢。

曾鈺成議員：主席，局長在主體答覆的(一)部分提到由 2001 年至現在，銀行分行的數目減少，主要是因為隨着電子銀行服務日趨普及，銀行因此而調整其分行網絡。請問局長有否研究過這些關閉了的銀行分行所處的位置，有關客戶是否的確是使用電子銀行服務最多的客戶呢？因為據我所瞭解，在一些屋邨比較集中的地方，有些銀行關閉其分行，但在這些分行關閉前，平時也可見市民要大排長龍的。銀行分行數目減少，似乎並非因為是多用了電子銀行服務，而局長在主體答覆中所指出的這個主要原因，不知是有何根據？

財經事務及庫務局局長：坦白說，我們沒有進行過研究，但正如我在主體答覆中所說，這些銀行有自己的商業決定，譬如關閉一間分行或開設一間分行，它們應曾自行進行過研究工作，然後才作出決定。我不能從政策局或金管局的角度來回答曾議員的補充質詢。不過，如果曾議員有興趣跟進，我們可以安排曾議員跟有關銀行高層會面，進一步瞭解這方面的情況。

譚耀宗議員：主席，政府在主體答覆的最後一段中，認同銀行在按商業原則經營時，既要履行企業社會責任，也會顧及市民的需要。但是，現實情況卻不是這樣，例如在天水圍北部這類偏遠地方，銀行完全拒絕在該處開設分行，連櫃員機也不想設置。如果是這樣，既然銀行未有履行企業社會責任，市民亦無法得到所需的服務，而政府卻相信這原則，請問政府會否考慮仿效外國一些國家，通過郵政署提供類似的服務？

財經事務及庫務局局長：主席，譚議員的這項建議，在外國確實曾嘗試實行，但據我所知，現時郵政局的數目也不多。不過，對於譚議員的建議，我會請同事研究是否可行。

據我所理解，市民現在到超級市場購物也可以提款，例如以櫃員卡購買香口珠時，也同時可提取現金。其實，在香港來說，要提取現金並不困難，甚至有些便利店也有櫃員機的裝置。藉着今天這個會議，希望銀行的高層能聽到大家的意見。其實，就着這事，我已跟銀行的高層商討，並表達了各位議員對這事的關注。我希望經過今天的會議後，銀行業界會對這方面多些關注，亦會履行它們的社會責任。

梁耀忠議員：主席，局長在主體質詢的最後一段提到顧及市民的需要，其實，最重要是照顧那些長者或領取綜援者的需要。他們要到銀行領取款項，但如果所居住的屋邨沒有銀行分行，甚至連櫃員機也沒有，而他們又不懂得使用電子銀行時，便要乘車到很遠的地方領取款項。局長表示銀行會顧及市民的需要，但事實並不是這樣。

我想請問局長，他剛才在回答陳偉業議員有關鼓勵銀行的補充質詢時，他說是如何鼓勵呢？原來局長把跟銀行高層吃飯聊天便當作鼓勵，主席，我只會稱這些為聊聊天，或只是知會他們而已，這並不是鼓勵。我想請問.....

主席：你想問甚麼呢？

梁耀忠議員：局長，當你在使用“鼓勵”的用詞時，你當時構思甚麼可謂之“鼓勵”呢？聊天便算是鼓勵嗎？在我的理解中，鼓勵是有實質性的，包括可能採取一些政策來協助銀行履行責任。我想請問局長，可否告知我們，在具體上有甚麼鼓勵的方法，而這些方法是跟個別機構的自行決定沒有抵觸的？

財經事務及庫務局局長：主席，如果不溝通，是無法鼓勵的，所以，首先要做的便是溝通，當我與有關的高層見面時，我便要跟他們溝通。請梁議員不要開口便說我一定要跟他們吃飯，是不一定的，溝通並不一定是吃飯。溝通可以是聊聊天，大家見面時聊聊天。這是我首先要澄清的。請不要把我說成好像很喜歡吃飯飲宴似的。（眾笑）我已經很胖了，不用吃很多飯，我正在減肥。

第二點，在溝通方面，我們經常跟銀行說——其實不單止我這樣說，很多社會人士也說——所有大型機構都有需要履行社會責任。這是議員會說、官員會說、市民也會說的話。我不是一定要跟銀行交換一些東西才算是鼓勵的，我們可以跟有關的高層人員說，這是大家都要履行的事務，作為社會的一分子，我們應該是這樣做的。我認為不一定要有所交換才算是鼓勵。我們只是告訴銀行，作為社會一分子應該要做的事。梁議員，我不是要跟銀行作實質交換，它才會履行社會責任的。換言之，我們只是鼓勵銀行，作為社會一分子，它們應該有這個社會責任。就這點，並非是我今天才這樣說，很多議員其實也說過。所以，我不認為我們要跟銀行作甚麼所謂實質的交換，才稱得上是鼓勵，最重要的是告知它們要盡這個責任。其實，香港有很多公司也有盡這個責任。但是，我相信經過今天各位議員對這方面表示關注後，銀行的高層會聽到大家的聲音的。

主席：梁耀忠議員，局長尚未回答哪一部分呢？

梁耀忠議員：主席，局長誤解了我的補充質詢，我不是詢問他溝通和交換的問題，我是詢問他有否一些具體的、實質的政策來鼓勵銀行改善服務，而與此同時，這種鼓勵政策跟政府尊重機構的自行決定並沒有抵觸？

財經事務及庫務局局長：主席，我們的政策是很透明的，如果梁議員覺得我們的政策沒有鼓勵銀行履行企業責任，那麼，我可以說我們在這方面是沒有政策。但是，整個社會確實正向銀行發出一項信息，所以，我不覺得我們要制訂甚麼政策，如果要有政策，便已不是鼓勵，而應稱為政策了。

王國興議員：主席，根據局長的主體答覆，3間發鈔銀行在5年內減少了158間分行，減幅達27%，嚴重犧牲公屋居民及偏遠地區居民應享有的服務。我想透過主席詢問局長，面對這種情況，政府有甚麼措施幫助公屋居民及偏遠地區居民解決銀行服務的問題？可否在發牌時要求銀行多開設一些分行，作為政府的發牌條件呢？

財經事務及庫務局局長：主席，王議員，我希望你明白銀行是否開設分行，正如我剛才的答覆，是銀行的商業決定。但是，香港銀行業的競爭其實亦相當劇烈，當我跟銀行高層聊天時，他們都會說生意難做，要爭取客戶，要爭

取客戶的存款、貸款等。所以，它們要在甚麼地方開設分行、開設的數目是多少，的確是屬於商業決定。我剛才已舉出愛民邨的例子，我 30 年前在那裏居住時，有兩間發鈔銀行、一間非發鈔銀行在該處開設分行，但今天情況已轉變了，該兩間發鈔銀行已關閉了該處的分行，其中一間發鈔銀行改為設置櫃員機，但卻有另外兩間銀行開設分行，而這兩間都是非發鈔銀行的分行。這證明如果有競爭、有生意的話，銀行便會開設分行。但是，政府不能規定銀行必須開設多少間分行，或如果要擔任發鈔銀行，便要在某區開設分行，因為發鈔銀行的功能和責任跟它開設分行是兩回事。主席，請容許我藉這個機會解釋發鈔銀行的工作。

其實，作為發鈔銀行並沒有甚麼好處。第一，發鈔銀行要在金管局存入某數量的美元，而這些存款是沒有利息的。接着，它要負責安排印製鈔票的費用——費用是由金管局負責，但它要負責安排有關的工作，以及分發鈔票，如果有鈔票要注銷時，也完全由它來負責。所以，我們不要把兩件事聯繫在一起，說作為發鈔銀行，便有這個責任。如果像王議員所說，當發出銀行牌照時，要求銀行必須開設多少間分行，那便是違反香港自由市場自由競爭的原則了。所以，我希望各位議員明白。

主席：王國興議員，你的補充質詢是否未獲答覆？

王國興議員：是的。主席，局長沒有回答政府如何解決為偏遠地區及公屋居民服務的問題，因為我剛才已列舉了有關的數字，銀行在 5 年內收縮了 27% 的分行服務，居民的服務是被犧牲了。局長沒有回答這方面。

財經事務及庫務局局長：主席，正如我剛才所說，我們其實已向銀行的高層反映，如果他們認為在商業運作上某地區是有利可圖，當然會在該處開設分行。但是，大家要明白，現時銀行經營的模式已轉變了，我相信就這一點，李國寶議員便最清楚了。現時香港櫃員機的數目相當多，我亦明白王議員很關注屋邨居民方面的問題。如果議員認為有哪些地方有設置分行的需要，我是很樂意代你們向銀行反映的，我絕對樂意這樣做。

主席：本會就這項質詢已用了超過 20 分鐘。現在是最後一項補充質詢。

張超雄議員：主席，局長剛才表示現在提款已經很方便，很明顯，局長很少考慮到殘疾人士或老人的情況，他們未必這麼容易拿着提款卡提款，或透過電腦上網使用電子銀行服務的。據我瞭解，在外國每當有銀行打算關閉一間分行時，便會召開一些公聽會接納公眾的意見。我想請問局長，日後當有銀行要關閉其分行時，可否首先徵詢該區區議會的意見，以及容許透過公聽會等渠道，讓公眾發表意見呢？

財經事務及庫務局局長：主席，我認為香港是一個自由社會，是根據商業原則運作的社會。我相信張議員剛才提出的模式，未必適用於今天的香港社會，而且我也覺得在今天這個運作模式之下，向銀行反映傷殘人士或年老長者需要的最佳方法，便是透過各位議員或是透過政府向銀行反映，我們是很樂意把你們所提出的意見跟銀行商討的。我認為這種模式會較張議員剛才提出召開公聽會的建議更佳。

張超雄議員：主席，我想局長回答，他會否徵詢區議會的意見？

財經事務及庫務局局長：主席，我相信我剛才已回答了張議員的問題，因為我覺得這跟區議會的功能有點不同。這是銀行與客戶之間的關係，我看不出為何要把區議會帶入這個討論之中。

主席：第三項質詢。

公私營合作推行保育工作 Public-private Partnership for Conservation Work

3. 張學明議員：主席，行政長官在上月發表的施政報告指出，在已選定具有重要生態價值的地點，將優先推行管理協議及公私營合作試驗計劃，由土地擁有人自願參加，非政府組織提供資金，共同推進保育工作。就此，政府可否告知本會：

- (一) 鑒於環境及自然保育基金（“環保基金”）委員會已批准撥款 460 萬元，於鳳園及壟原實施 3 項管理協議試驗項目，負責管理有關土地的非政府組織分別為該等項目承擔的款額；

■ Data & Statistics

Securities Market

Market Highlights - November 2005

Updated: 30 November 2005

Listed companies (Main Board) (up to end of November 2005)

	November 2005	November 2004	End of 2004
No. of listed companies	922	882	892
Total no. of listed securities	2,376	1,927	1,971
No. of H shares	78	68	72
No. of Red-chip Stocks	86	81	81
No. of Equity Warrants	28	35	32
No. of Derivatives Warrants	1,245	832	863
No. of ELI	0	10	9
No. of Unit Trusts	11	10	10
No. of Debt Securities	166	154	161
Total market capitalisation (HK\$Mil.)	7,959,098	6,512,224	6,629,177
Average P/E ratio (Times)	15.28	18.44	18.73
Average yield (%)	2.93	2.90	2.85

Turnover (Main Board)

	November 2005	% change over 1 month	Jan to Nov 2005	% change relative to corresponding period last year	2004
Total turnover in value (HK\$Mil.)	394,202	3%	4,118,616	16%	3,948,351
Average daily turnover by value(HK\$Mil.)	17,918	-6%	18,144	16%	15,857
Total turnover in shares (Mil. Shares)	550,705	17%	5,239,422	53%	3,984,706

GEM
Stock market highlights - November 2005

	November 2005	November 2004	Year on year change (%)
No. of listed companies	202	203	
No. of listed securities	202	204	
No. of newly listed companies	1	0	
Turnover value (HK\$mil)	2,183	2,105	3.71
- Daily average	99	96	
Turnover volume (mil shares)	2,523	3,102	-18.67
- Daily average	115	141	
No. of deals	42,668	48,193	-11.46
- Daily average	1,939	2,191	
Total issued capital (HK\$mil)	8,368	9,119	-8.24
Market capitalisation (HK\$mil)	72,428	67,512	7.28
Average P/E ratio (times)	22.81	29.65	
Average yield (%)	0.92	0.65	

Cost of printing results announcements compared to overall operating expenses and the cost of printing Annual Reports

Company name	Costs of printing results announcements			Operating expenses	% of operating expenses constituted by costs of printing results announcements	Costs of printing Annual Reports			Costs of printing results announcements as % of the costs of printing Annual Reports
	SCMP	HKET	TOTAL			Interim	Final	TOTAL	
BOC (Holdings) Limited	\$ 337,000	\$ 168,500	\$ 505,500	\$ 505,000,000	0.100%	\$ 2,000,000	\$ 4,000,000	\$ 6,000,000	8.425%
Sinopec	\$ 686,000	\$ 343,000	\$ 1,029,000	\$ 714,478,000	0.144%	\$ 2,400,000	\$ 15,000,000	\$ 17,400,000	5.914%

Notes:

1. Costs of publishing results announcements in HKET is assumed to be 1/2 that of SCMP
2. Figures above are for the year ending March 2005

June 05



Hutchison Whampoa

SCMP

26/8/2005

Hutchison Whampoa Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 013)

Solid foundation Strong performance

Interim Results Highlights for 2005 First Half

	2005 HK\$ Millions	2004 (As restated) HK\$ Millions	Changes
Turnover	109,184	82,201	+33%
Profit attributable to shareholders	11,824	10,758	+10%
EBIT from established businesses (excluding investment properties revaluation profit and profit on disposal of investments)	16,874	13,863	+22%
Earnings per share	HK\$2.77	HK\$2.52	+10%
Interim dividend per share	HK\$0.51	HK\$0.51	—

• 3G customer base currently totals over 9.4 million worldwide

- Italy is on target to achieve EBITDA breakeven, after all customer acquisition costs, on a monthly basis for the month of August this year and
- UK is expected to achieve this significant milestone later this year

• Strong financial position with HK\$141,714 million in cash and liquid investments

- The Group's core businesses once again produced improved results in the first half and also benefited from substantial increases in the value of its businesses based on current market value.
- Group's funding requirements to decline in the second half of this year and it is positioned to contribute significant value to the Group.
- As the Group's losses narrow, the full benefit of the scale the Group has achieved will be progressively reflected in earnings growth, continuous reduction in debt levels and improvement to the financial profile, and in solid shareholder value creation.

Hutchison Whampoa Limited is a leading international corporation with operations in 51 countries and more than 200,000 employees worldwide.

For more information, please visit

www.hutchison-whampoa.com

ports & related services • telecommunications • property & hotels • retail & manufacturing • energy & infrastructure

cit
as
te

Imports about
requirements.
e trade de
billion d
r earlier.
is dropped 5.6
illion in June.
orts are coun-
rives, mobile
er electronic
try's factories
Raw-material
nt to US\$1.61
port showed.
ts rose 1 per
mbing 1.1 per
stics office re-
). Electronics
nt for about
ion's overseas
r cent.
ports in June
S\$1.37 billion
s purchases
US\$290 mil-

m overseas
cord US\$879
g the total for
to US\$4 bil-
-on-year rise.
t in domestic
aid. "Overall
a stronger but
fails to do in
akes up from

rites
uly

id the impact

oleum prod-
month rose 16
illion, from a
o crude costs
aller volumes.
lia, exports to
leading mar-
r earlier.
mist Robin
nd of a wors-
y to continue.
he blame for
d strength of
haps a bit of a
rom some of
he said. "The
ined growth
the domestic
ling along."
nd economist
performance
o improve in
y the strong
port prices.
c didn't hap-
ports being 3
y 2004 levels,
below."

needed to raise
ce its current ac-

More reports - B9
Oil comes off record - B28

More equals less for a food stall trader in Jakarta after the rupiah fell to a new 3 1/2-year low against the US dollar yesterday. Photo: AP

duce investment
mestic consump-
id Japan's econo-
momentum and
pressures in the

rave
icy
voes

this year, markets
asingly confident
nment led by Mr
ld lead to a more
d of stability after
has dogged Indo-
sian currency cri-

no, elected last
ackle deep-rooted
attract investors.
arting to fear that
nomic underper-
ad to instability.
glimmer came
vestors Service,
to plan to change
rating.
positive outlook,
elopment," said
ce-pre and
er. "We see the
scal position is
nomic growth is
ybe not sufficient
ability has been

ster Jusuf Anwar
finances were in
The state budget
ageable," he said

Indonesia would
dget assumption
would average
r between this
mber - 9.5 per
it is now.
be head of Asian
research at ING
said if the situa-
further, Indone-
ck into the eco-
erenced in 1997-
e year thinking
the best story in
o be the worst."



flaps
ctoher

, we will have to
Udom added.
Kampuchea will
duct and service
Thailand which
all flights for the
low-cost airlines
number of avail-

sister carrier in
One-Two-Go to
affic rights which
award to airlines
Malaysia's Air-
ines in Indonesia
he same reason.
oreign investor is
g 25 per cent of
ines, majority-
dians.
st four other car-
n Cambodia in-
Airlines, a ven-
s EVA Airlines.



CHEUNG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock code: 001)

Powering Ahead

HIGHLIGHTS OF INTERIM RESULTS FOR 2005

- Profit attributable to shareholders increased 52%
- Profit before share of results of Hutchison Whampoa Group increased 205%
- Shareholders' funds increased to HK\$184.6 billion
- Net debt to shareholders' funds remained low at 11.4%
- Interim dividend of HK\$0.42 per share, payable on 14th October, 2005

The Group has made significant strides in business and market expansion during the first half of 2005 by seizing the growth opportunities presented by the rising economy. Through a number of key acquisitions and investments in Hong Kong, the Mainland and overseas, the Group is growing on an even stronger platform for future expansion.

As start-up investments for the 3G businesses have peaked, we expect the 3 Group as a whole will achieve EBITDA breakeven on a month-by-month basis in the second half of this year. Looking forward, with the 3 Group's funding requirements disappearing entirely in 2006, the 3G businesses are positioned to contribute significant value to the Group.

With visionary foresight and effective management, the Cheung Kong Group is uniquely placed in a strong position to capture the opportunities arising from the Mainland's and Hong Kong's sustainable growth and integrated development. The Group has strong confidence in the prospects for its quality businesses in 51 countries around the globe, as they are well poised to attain new heights for future growth.

To find out more information and to view the announcement on the Company's interim results for 2005, please visit

www.ckh.com.hk

SCMP 26/8/05

...group
net earnings rose to €758
million (\$7.22 billion) in April to
me from €678 million in the
me period last year. Vivendi said
now expects to beat its full-year
rget of €1.8 billion. AP

**ORACLE CHIEF OFFERS TO
GIVE US\$100M TO CHARITIES**

Wood Shores: Oracle Corp
chief executive Larry Ellison has
pled to donate US\$100 million
charities to
ttle a lawsuit
volving
und a
\$390 million
in that he
ade by selling
me of his
mpany stock
er the
t.com bust.
e settlement.
rmed Monday, still requires
approval of the Superior Court
ge. AP



Larry Ellison

anywhere from US\$250
billion and US\$300 billion is there
to do deals," said Francis Aquila, a
mergers partner at Sullivan &
Cromwell, this year's top-ranked
legal adviser for corporate take-
overs.

of cash that they get from their in-
vestors and debt secured on the
businesses they buy to fund
takeovers.

Buyout companies have in-
creasingly joined forces to make
bigger acquisitions.

software handles most Nasdaq
trades, was bought last month by
seven firms, including KKR and
Blackstone Group, for US\$11.4 bil-
lion. Blackstone is seeking US\$12.5
billion for the world's biggest buy-
out fund.

Clayton Dubilier and its part-
ners outbid rivals including Texas
Pacific Group, Blackstone, Thomas
H. Lee Partners and Bain Capital
Partners for Hertz.

For Clayton Dubilier, the deal
tops last year's €3.7 billion (\$35.2
billion) purchase of electrical prod-

uct supplier Rexel. Carlyle's big-
gest deal before the buyout of Hertz
took place in November 2002,
when the company joined forces
with Welsh Carson Anderson &
Stowe to take over Dex Media, a
telephone book publisher, for al-
most US\$7.1 billion.

help strengthen our entertainment
business," Mr Paiboon said.

The move into newspapers is
part of Grammy's strategy to focus
on investment in other multimedia
businesses after a slowdown in its
music revenues.
Reuters, Associated Press

**US\$16b of deals in
single day reflects
firms' confidence**

MERGERS
Bloomberg in New York

Oracle Corp's agreement to buy
Siebel Systems caps US\$16.6 billion
of US deals announced Monday,
the busiest day for mergers in more
than two months, and suggests
companies are confident about the
economy's prospects.

The US\$5.85 billion Oracle-Sie-
bel deal to create the top seller of
customer service software was the
largest of the day's more than 40
transactions. Ford Motor's agree-
ment to sell Hertz Corp was the sec-
ond largest at US\$5.6 billion.

The flurry of tie-ups shows com-
panies are looking beyond the dent
in the US economy that Hurricane
Katrina and higher energy prices
will cause, said analyst Tom Bur-
nett.

The Dow Jones Industrial Aver-
age had its best week since May last
week, as investors speculated the
Federal Reserve may pause in its in-
terest-rate increases because of Ka-
trina.

"It's very encouraging in terms
of corporate expectations," said Mr
Burnett, president of Merger In-
sight, a research unit of brokerage
Wall Street Access. "Corporate
America is willing to bet on future
growth prospects overall in spite of
the short-term problems that we're
going to have."

In other deals, Wachovia Corp

agreed to buy car finance compa-
nies Westcorp and WFS Financial
for US\$3.91 billion and eBay said it
would purchase internet phone
provider Skype Technologies for
US\$2.6 billion.

The number of transactions on
Monday accelerates the pace of a
year that has already had the hot-
test global M&A market since 2000
with US\$1.69 trillion in mergers
struck so far. At the same point last
year, US\$1.2 trillion had been an-
nounced.

The last time there were more
US mergers announced in a day
was June 30, when Bank of America
Corp agreed to buy credit card
issuer MBNA Corp for US\$35 bil-
lion, capping US\$40.2 billion in
deals that day.

Some investors are betting Ka-
trina and higher oil prices have
slowed economic growth enough
that the Fed does not need to raise
interest rates again this year.

Monday's mergers may bolster
Morgan Stanley and Goldman
Sachs Group's standings as this
year's top advisers among invest-
ment banks.

Morgan Stanley, which advised
Oracle in the Siebel transaction and
Skype on its purchase by eBay, has
advised on US\$449 billion of an-
nounced deals this year. Goldman
Sachs, which advised Siebel, Wa-
chovia and Ford, is second at
US\$402 billion.

Branson unscrews his Virgin Vines



Sir Richard Branson treads grapes with a model to promote his new wine
label, Virgin Vines, at a launch ceremony in New York City. Photo: AP

**Tycoon's magic touch should help the
label with attitude become a top brand**

BEVERAGES
Associated Press in Louisville

British billionaire Sir Richard Bran-
son and Brown-Forman Corp have
teamed up to introduce Virgin
Vines, a wine label with an attitude.

With the motto "Unscrew it,
let's do it," the wines would project
a hip image counter to wine's
stodgy reputation.

"Wine, like life, is meant to be
enjoyed," said Sir Richard, the man
behind the ubiquitous Virgin
brand, at the launch on Monday.
"All the pomp and ceremony cur-
rently associated with wine just
gets in the way of enjoying it."

Virgin Vines' red and white
wines began reaching store shelves
in the United States on Monday
amid a kick-off celebration in New
York City, including an evening
party complete with women danc-
ing on wine barrels.

"Being associated with Richard
Branson is going to be a plus," said
Jon Fredrikson, a wine industry
consultant. "He's got a pretty good
track record in everything he
touches."

Virgin Vines feature a white
chardonnay and a red shiraz from
the California vineyards of Brown-
Forman Wines, a division of Louis-
ville-based alcoholic drinks giant
Brown-Forman. The wines sell for
US\$9.99 per bottle, or a four pack
with smaller, plastic bottles at
US\$8.99.

The new venture is in a hot-sell-
ing price category. Wines in the

US\$9 to US\$10 price range have
had double-digit sales growth in
the US this year. Brown-Forman
Wines will market the new product
and it expects to sell several hun-
dred thousand of cases in the first
year. "We expect this will be a lead-
ing California wine brand within
three years," said Brown-Forman
brand director Don Freytag.

The wine bottles feature painted
labels and cork-free screw tops
with a pull tab.

On the backs of the bottles, Vir-
gin Vines pokes fun at connoisseurs
who over-analyse wine: "Dare to
enjoy this wine without dashes of
pretentiousness or hints of snooti-
ness. Virgin Vines believes wine
should be all about having fun and
loving the taste ... not waxing poeti-
cally about meaningless wine-
speak and food pairings."

Mr Fredrikson said such swipes
would be an attention grabber. "We
have so much folderol in the busi-
ness that it does turn off a lot of po-
tential consumers," he said. He
said the cork-free tops and plastic
four packs will be appealing.
"There's a lot of people in the coun-
try who don't own a corkscrew."

Brown-Forman, the maker of
Jack Daniels, Southern Comfort
and other spirit and wine brands,
approached Sir Richard about 18
months ago about teaming up on
the venture.

"One of the ideas was, let's take
advantage of this wonderful trade-
mark and launch a wine," Mr Frey-
tag said.

SCMP
4/9/2005

FY2004 | 2005 final results highlights

- group turnover HK\$20.6 billion
- net profit HK\$3.3 billion
- total dividend proposed HK\$1.8 billion

- ▲ 26% yoy
- ▲ 67% yoy
- final: HK\$0.66/share
- special: HK\$0.84/share

full version of FY2004 | 2005 final results announcement available at www.espritholdings.com

ESPRIT