

# **RETAIL INVESTOR SURVEY 2001**



**Hong Kong Exchanges and Clearing Limited**

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## 1. EXECUTIVE SUMMARY

HKEx has conducted the Retail Investor Survey periodically since 1989 (formerly by the Stock Exchange of Hong Kong). The survey findings provide a comprehensive picture of trends and characteristics of retail participation in Hong Kong. The Retail Investor Survey 2001 was conducted in December 2001.

### **Retail participation**

- 20.3% of Hong Kong adults (or 1,089,000 individuals) were stock investors who were currently holding or had traded HKEx-listed or -traded stocks in the 12 months preceding the interview. 5.2% (or 279,000) were derivatives investors who were currently holding or had traded derivative products (including futures and options) on HKEx in the 12 months preceding the interview. 20.6% (or 1,102,000) were retail investors who were either stock investors or derivatives investors.
- 18.6% of stock investors were new stock investors, who had invested in stocks for the first time within the past 2 years.
- For non-investors, the main reasons for not investing in Hong Kong stocks or in derivative products were no spare money and insufficient knowledge about the market, listed companies or products.

### **Investor profile**

- A typical Hong Kong retail stock investor is a 42 year-old professional or manager, with upper-secondary or above education and with a monthly personal income of about HK\$18,750.
- Compared to all stock investors, new stock investors comprise a larger proportion of females, younger persons and persons having lower personal income and lower working status.

### **Investment behaviour**

- Compared to the findings in 1997 (the year of the previous survey), the value of stock holding and the transaction amount were less, the period of stock holding was longer and trading was less frequent.
  - The median stock portfolio size was HK\$95,000, down one-third from HK\$150,000 in 1997.
  - The median deal size was HK\$30,000, substantially lower than HK\$50,000 in 1997.
  - The median duration of stock holding increased to 18 months from 4 months in 1997.
  - The median number of transactions in the last 12 months dropped to 3 from 10 in 1997.



- Most stock investors consider themselves neither aggressive nor conservative in taking risk for a higher return. Stock-and-derivatives investors were more active traders and were more aggressive, while new stock investors were less active traders and were more conservative.
- Among the stimuli for more trading either in frequency or transaction amount, the most favourable ones were more high-quality listed companies in the market (64%) and lower transaction cost (47%).

### **Online traders**

- 18.1% of stock investors were online traders who had traded stocks on HKEx through electronic media such as the Internet either always or sometimes.
- The main reasons for using online trading included convenience (77%), timely execution (21%) and low commission rate (14%). The main reasons for not using online trading included lack of knowledge on using computer/Internet/online trading (39%), lack of confidence in online trading/online brokers (25%) and inconvenience of online trading/Internet inaccessible (21%).
- Compared to stock investors, online traders comprise a larger proportion of males, younger persons, persons with higher education level, higher working status and higher personal income.
- Compared to stock investors, online traders participated in Hong Kong stock trading for a shorter period of time, and were more active and more aggressive.

### **Use of intermediary services**

- 49% of stock investors traded through banks only, up substantially from 30% in 1997. In comparison, a much larger proportion of new stock investors (72%) and online traders (58%) traded through banks only. The main reason for choosing a bank as broker was their sound background —having confidence in their financial background and in their good business record.
- Stock investors trading through brokerage firms tended to have longer investment experience, being more active in trading and more aggressive than those trading through banks.
- Most stock investors (80%) were satisfied with the services provided by their brokers. Stock investors trading through brokerage firms showed higher satisfaction than those trading through banks.



### **Perception of the Hong Kong stock market**

- Most stock investors agreed that trading in the Hong Kong stock market was efficient (89%), market information available was good (72%), the Hong Kong stock market was a fair and orderly market (72%), there were sufficient high-quality listed companies available for investment (70%) and regulation of brokers was effective (69%).
- The majority of stock investors agreed that regulation of listed companies was effective (64%), listed companies had good disclosure of information (58%), investors were well-protected (57%) and listed companies had good corporate governance (52%). About half of stock investors agreed that transaction costs were low (50%) and regulation of insider trading was effective (46%).
- Most stock investors agreed that they had more confidence in investing in Chinese companies listed in Hong Kong than those listed in the Mainland (83%). 20% of stock investors agreed that they had confidence in the regulation of Hong Kong listed China stocks.
- About one-quarter (26%) of stock investors showed interest in trading overseas stocks through HKEx. However, 49% were not interested at all.



## **2. INTRODUCTION**

The Retail Investor Survey is conducted roughly triennially by HKEx (formerly by the Stock Exchange of Hong Kong (SEHK), now a wholly-owned subsidiary of HKEx). The survey aims to understand the major trends of retail participation and characteristics and opinions of retail investors in the Hong Kong securities market. The Retail Investor Survey 2001 was conducted by a market research company on behalf of HKEx in December 2001. The last full-scale survey was conducted in September 1997. In the intervening period, omnibus surveys were conducted annually to obtain basic statistics on retail participation.

### **2.1 Objectives**

The objectives of the 2001 survey are:

- To assess the incidence of retail participation in HKEx products and the socio-economic profiles of retail investors;
- To understand the investment behaviour of retail stock investors;
- To assess retail stock investors' perception of different aspects of the Hong Kong stock market and their satisfaction with the services of intermediaries.

### **2.2 Methodology**

The survey fieldwork was conducted in December 2001. A random sampling process was adopted to select individuals aged 18 or above. Selected individuals were interviewed through telephone in accordance with a structured questionnaire.

The survey was conducted in two stages. The first stage was to find out the incidence of retail participation in the adult population and their socio-economic characteristics. During this stage, a total of 2,007 individuals were interviewed, of which 413 were stock investors. The second stage was to interview an additional sample of stock investors to boost the sample size of stock investors to 800, which could provide more reliable analysis results.

The survey is subject to certain limitations. First, most responses were perceptions or estimates of respondents that might deviate from the truth. Second, respondents might intentionally not tell the truth on sensitive questions such as wealth or income level. Third, on prospective issues such as reactions of respondents to certain changes of conditions, the responses might not be an accurate prediction of how the respondents would actually react to such changes if they were in fact to arise.

### **2.3 Comparability with past surveys**

The last full-scale survey was conducted in September 1997. A bullish market was experienced in 1997 while a relatively dull market was experienced in 2001. The current survey is also the first full-scale survey after the Asian financial crisis in late 1997 to 1998. Such changes in market conditions would have an impact on the investment behaviour and investors' perception on the stock market.



While the past full-scale surveys addressed retail stock investment only, the current survey also ascertained the incidence of retail derivatives investors who invest in HKEx's derivative products.

In the 2001 survey, the definition of "Hong Kong stocks" includes shares, warrants and Exchange Traded Funds (ETFs). In the 1997 survey, 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<sup>1</sup>. 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. However, a negligible proportion of stock investors was in the age range of 18 to 20 in the surveys since 1997. The investor group should therefore be comparable across surveys.

## 2.4 Glossary

<b><i>Stocks:</i></b>	Securities including shares, warrants and Exchange Traded Funds (ETFs) listed or traded on HKEx.
<b><i>Derivative products:</i></b>	Futures and options traded on HKEx.
<b><i>Stockowner:</i></b>	An individual who is currently holding stocks on HKEx at the time of the interview.
<b><i>Stock investor:</i></b>	An individual who is currently holding or has traded stocks on HKEx in the past 12 months preceding the interview.
<b><i>Derivatives investor:</i></b>	An individual who is currently holding or has traded derivative products on HKEx in the past 12 months preceding the interview.
<b><i>Retail investor:</i></b>	An individual who is either a stock investor or a derivatives investor.
<b><i>New stock investor:</i></b>	A stock investor who has traded stocks on HKEx for the first time within the past 2 years.
<b><i>Online trader:</i></b>	A stock investor who has traded stocks on HKEx through electronic media such as the Internet and mobile phone, either always or sometimes.
<b><i>Non-investor:</i></b>	An individual who is neither a stock investor nor a derivatives investor.

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<sup>1</sup> Including those who also invested in stocks, less than 1% of adult population were stock options investors in 1997.



### 3. RETAIL PARTICIPATION

#### 3.1 Types of investors

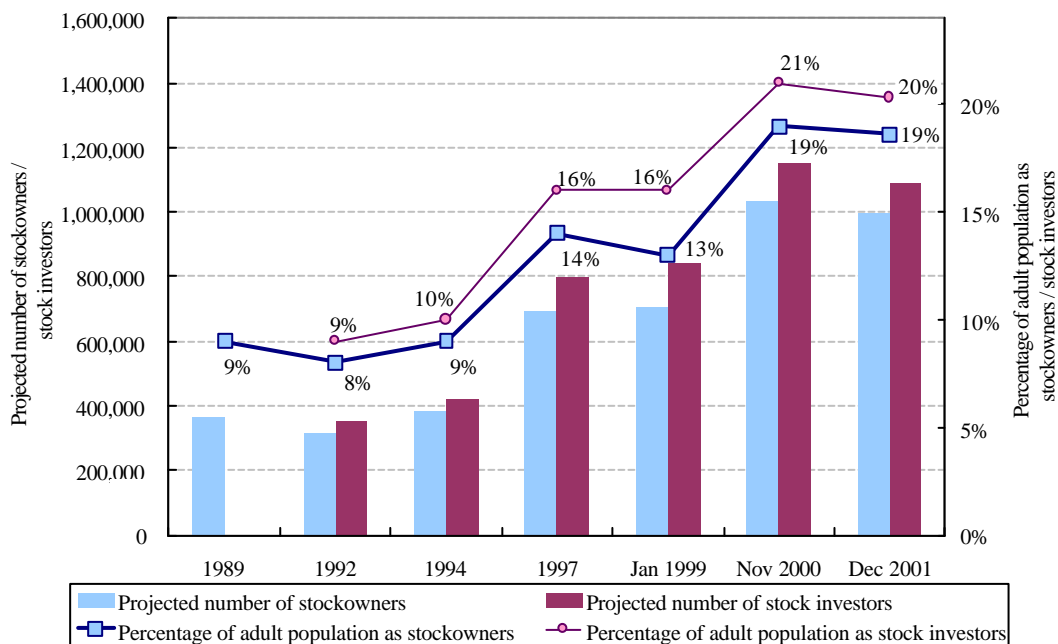
In December 2001, 20.6% of the Hong Kong adult population (or 1,102,000 individuals) were retail investors. 20.3% (or 1,089,000) of the adult population were stock investors and 18.6% (995,000) were stockowners. 5.2% (or 279,000) were derivatives investors. (Table 1)

**Table 1. Types of investors**

	Projected number of individuals	Percentage of Hong Kong adult population
	('000)	(%)
<b>Retail investors</b>	<b>1,102</b>	<b>20.6</b>
Stock investors	1,089	20.3
Stockowners	995	18.6
Derivatives investors	279	5.2
Non-investors	4,255	79.4
Total	5,358	100.0

The proportion of stock investors in 2001, at around 20%, was similar to that in 2000. However, the figure increased significantly from 16% in 1999. (Figure 1)

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



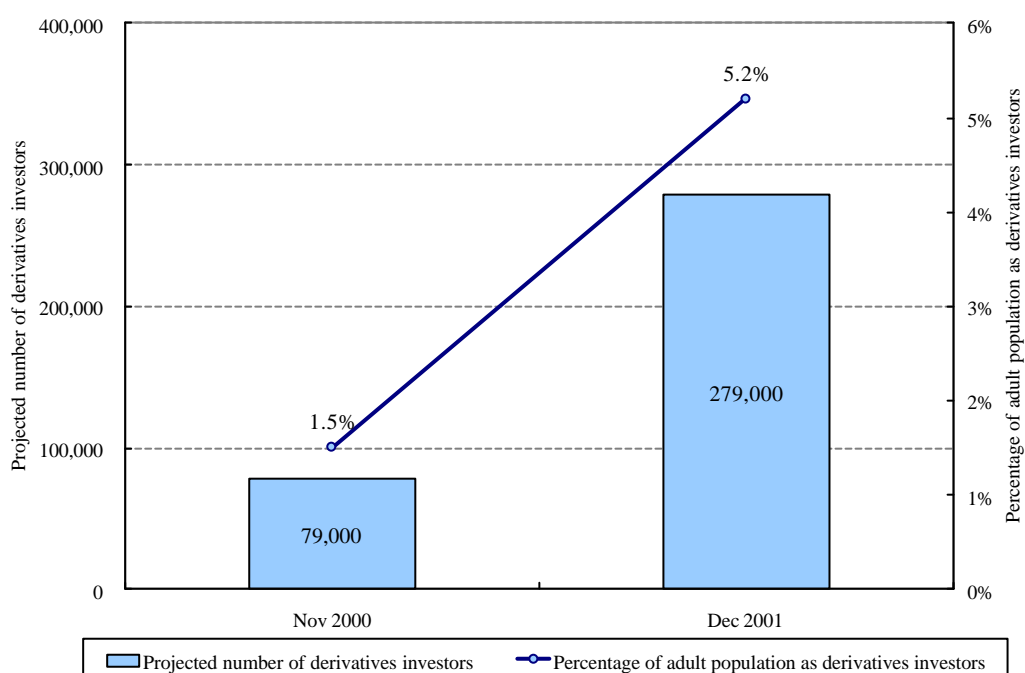




The proportion of derivatives investors in 2001 (5%) increased substantially from 1.5% in November 2000. However, the participation rate is still low, compared to stock investment. The introduction of mini-HSI futures in October 2000, for which 88% of turnover was contributed by retail investors<sup>2</sup>, might be one major reason for the increase. (Figure 2) Nevertheless, due to the small proportion, the statistic would be subject to large error.

Among the derivatives investors, 95% also invested in Hong Kong stocks (referred as stock-and-derivatives investors) and the remaining 5% invested exclusively in derivatives (referred as derivatives-only investors).

**Figure 2. Trend of derivatives investment**



### 3.2 Types of stock investors

Among the stock investors, 24% also invested in derivatives (stock-and-derivatives investors) and the remaining 76% invested exclusively in stocks (stock-only investors). New stock investors accounted for 19% of all stock investors. Compared to 32% in 1997 and 30% in 1994, the percentage of new stock investors dropped substantially. 18% of stock investors were online traders. The figure increased remarkably from the 7% in 2000<sup>3</sup>. (Table 2)

<sup>2</sup> For the period from July 2000 to June 2001, source: HKEx Derivatives Market Transaction Survey 2000/01.

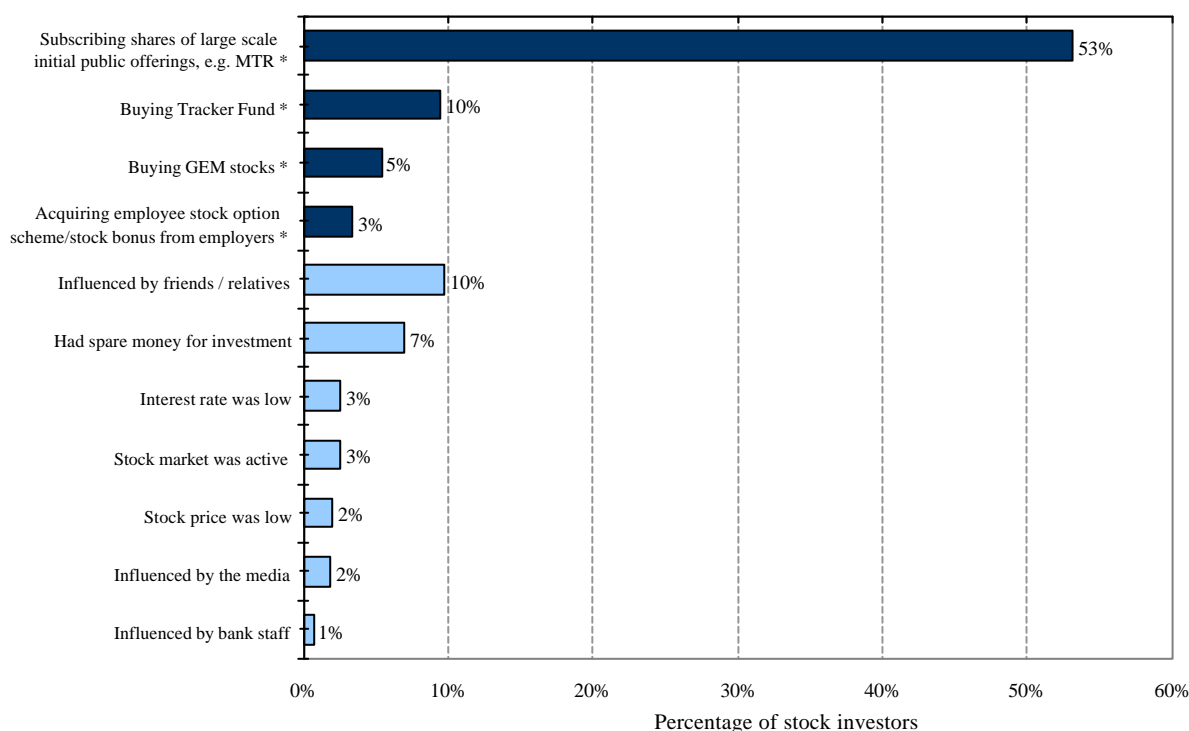
<sup>3</sup> In the 2000 Omnibus Survey, only participation in Internet trading (orders placed via the Internet) was accessed. Since the Internet is the major order placing channel, the figure should be comparable with the latest survey finding, which includes other electronic order-placing media.

**Table 2. Types of stock investors**

	Projected number of individuals	Percentage of stock investors
	('000)	(%)
<b>Stock investors</b>	<b>1,089</b>	<b>100.0</b>
Stock-only investors	823	75.6
Stock-and-derivatives investors	266	24.4
New stock investors	202	18.6
Online traders	197	18.1

Over half of the new stock investors entered the Hong Kong stock market through subscribing shares of large-scale initial public offerings, such as MTR (53%). Other occasions include buying Tracker Fund (10%) and buying GEM stocks (5%). (Figure 3)

**Figure 3. Occasions for entering the Hong Kong stock market**



\* Read out to respondents while others were given by respondents.

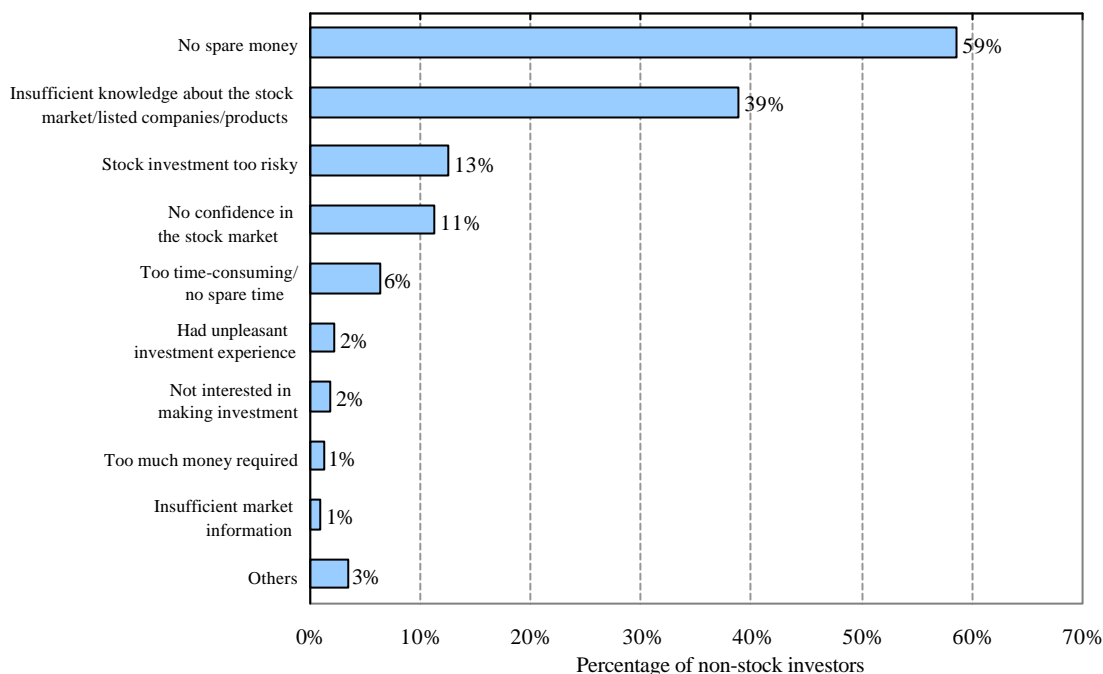
### 3.3 Reasons for not investing

Similar to the findings in 1997, the main reasons for not investing in Hong Kong stocks were no spare money (59%) and insufficient knowledge about the stock market, listed companies or products (39%). (Figure 4)



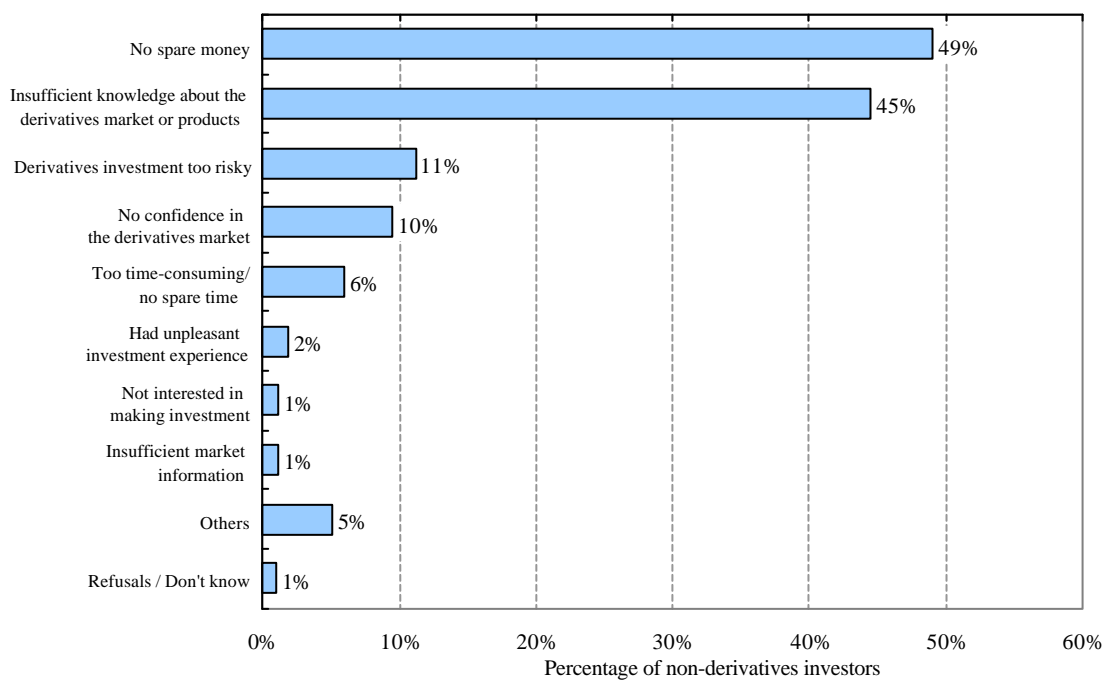
For derivative products, the main reasons for not investing were also no spare money (49%) and insufficient knowledge about the derivative market or products (45%). (Figure 5)

**Figure 4. Reasons for not investing in stocks**



Note: Multiple answers were allowed.

**Figure 5. Reasons for not investing in derivative products**



Note: Multiple answers were allowed.



#### 4. INVESTOR PROFILE

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

The profiles of stock investors over the years showed slight changes. The proportion of female investors slightly decreased to 44% from 48% in 1999 and 2000. The median age of stock investors increased to 42 from 40 in 1999 and 37 in 2000. The personal income also observed an increase to HK\$18,750 from HK\$17,500 in 1999 and HK\$16,250 in 2000.

Compared to derivatives investors and non-investors, stock investors differ in certain characteristics: *(Table 3)*

- Compared with non-investors —Stock investors comprise a larger proportion of males and individuals with higher education level and higher working status. Stock investors also tend to have higher personal income.
- Compared with derivatives investors —Derivatives investors tend to be younger and have higher personal income.

Compared to stock investors as a whole, new stock investors and online traders also differ in certain characteristics: *(Table 4)*

- New stock investors —New stock investors comprise a larger proportion of females, younger persons, persons with lower personal income and lower working status.
- Online traders —Online traders comprise a larger proportion of males, younger persons, persons with higher education level, higher working status and higher personal income.



**Table 3. Profiles of different types of investors**

(%)	Adult population	Stock investors	Derivatives investors	Non-investors
<b>Sex</b>				
Male	48.1	56.0	58.1	46.1
Female	51.9	44.0	41.9	53.9
<b>Age</b>				
18 – 19	3.4	0.5	1.9	4.0
20 – 29	18.5	12.3	18.0	20.2
30 – 39	23.7	32.3	34.9	21.5
40 – 49	22.8	26.8	22.6	21.8
50 – 59	12.9	18.6	15.6	11.4
60 or over	18.7	9.6	7.1	21.1
Median	42	42	37	42
<b>Education level</b>				
No schooling / kindergarten	8.4	0.7	0.4	10.4
Primary	20.3	11.8	9.5	22.4
Lower secondary	18.1	16.0	15.8	18.7
Upper secondary	28.1	30.4	31.9	27.5
Matriculation	6.4	9.0	7.1	5.7
Tertiary or above	18.4	31.8	35.3	14.9
Refusals	0.3	0.2	-	0.3
<b>Occupation</b>				
Managers / administrators / Professional	10.9	24.5	28.3	7.2
White collar	17.9	23.4	25.0	16.5
Blue collar	25.1	22.8	26.1	25.7
Homemakers	19.1	13.6	12.4	20.6
Retirees	13.9	10.1	5.8	14.9
Students	4.0	0.6	1.0	4.8
Unemployed persons	7.7	3.5	1.5	8.8
Others	0.3	0.1	-	0.3
Refusals	1.0	1.3	-	1.0
<b>Median monthly personal income (HK\$) *</b>	11,250	18,750	22,500	11,250
<b>Median monthly household income (HK\$)</b>	16,250	27,500	35,000	13,750

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

**Table 4. Profile of different types of stock investors**

(%)	Stock investors	New stock investors	Online traders
<b>Sex</b>			
Male	56.0	44.1	72.2
Female	44.0	55.9	27.8
<b>Age</b>			
18 – 19	0.5	2.6	1.3
20 – 29	12.3	24.2	23.1
30 – 39	32.3	36.3	35.9
40 – 49	26.8	20.0	26.4
50 – 59	18.6	13.7	11.2
60 or over	9.6	3.2	2.1
<i>Median</i>	42	37	37
<b>Education level</b>			
No schooling / kindergarten	0.7	-	-
Primary	11.8	10.9	3.0
Lower secondary	16.0	17.3	8.2
Upper secondary	30.4	31.2	24.9
Matriculation	9.0	7.5	6.5
Tertiary or above	31.8	32.6	57.4
Refusals	0.2	0.6	-
<b>Occupation</b>			
Managers / administrators / Professional	24.5	14.9	38.9
White collar	23.4	24.5	29.3
Blue collar	22.8	29.4	21.6
Homemakers	13.6	14.9	4.9
Retirees	10.1	5.9	3.2
Students	0.6	2.1	-
Unemployed persons	3.5	5.8	2.1
Others	0.1	-	-
Refusals	1.3	2.4	-
<b>Median monthly personal income (HK\$) *</b>	18,750	16,250	27,500
<b>Median monthly household income (HK\$)</b>	27,500	27,500	35,000

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



## 5. INVESTMENT BEHAVIOUR

### 5.1 Investment in securities products

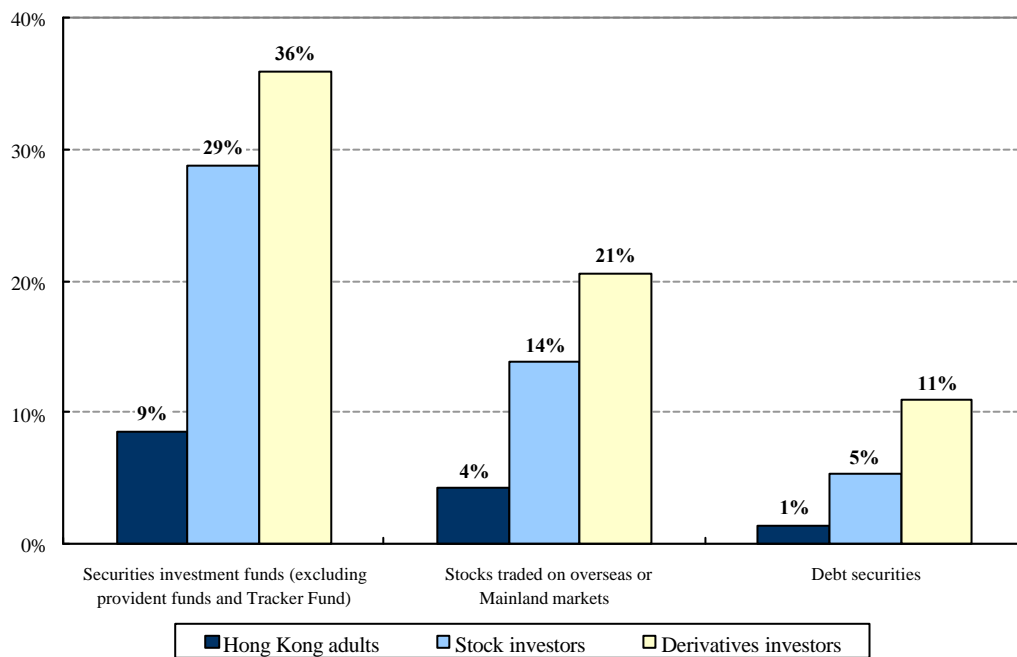
Respondents were asked whether they had invested in certain securities products other than HKEx stocks and derivative products.

Of the adult population, 9% invested (currently holding or had traded in the past 12 months) in securities investment funds (excluding provident funds and Tracker Fund). The figure is more than 4 times the 2% in 1997.

4% of the adult population invested in stocks traded on overseas or Mainland markets and 1% invested in debt securities.

A significantly larger proportion of stock investors and derivatives investors invested in the securities products above. (Figure 6)

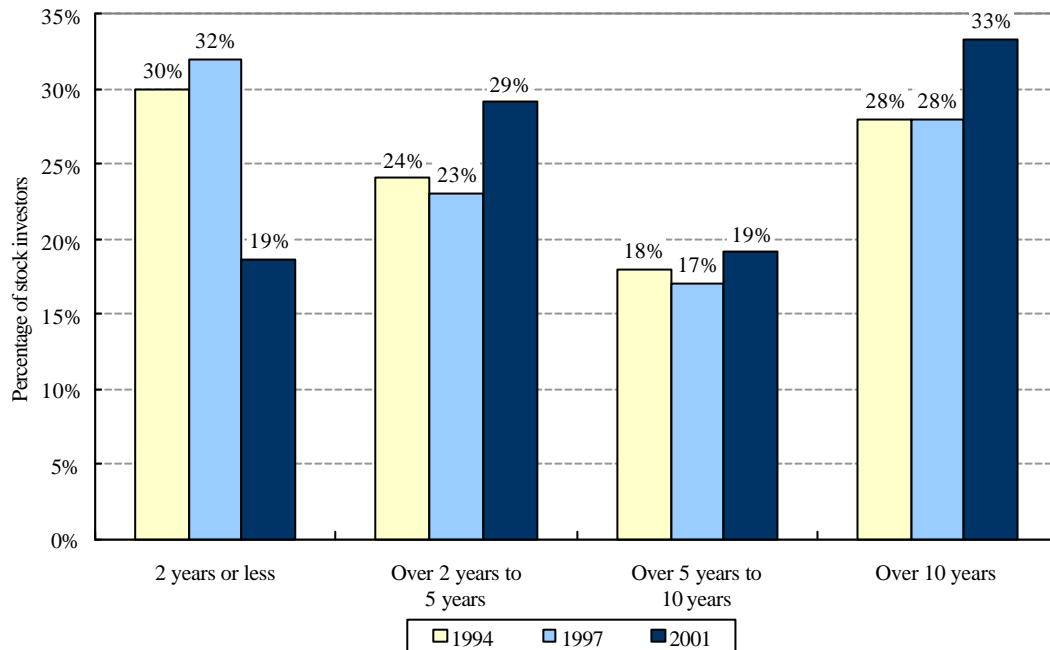
**Figure 6. Investment in securities products other than HKEx stocks and derivative products**



## 5.2 Stock investment experience

The number of new stock investors who entered the market within the past 2 years dropped to 19% from 32% in 1997 and 30% in 1994. The median number of years involved in Hong Kong stock trading is six, the same as the findings in 1997 and 1994. One-third of the stock investors had over 10 years' experience. (Figure 7)

**Figure 7. Number of years involved in Hong Kong stock trading**

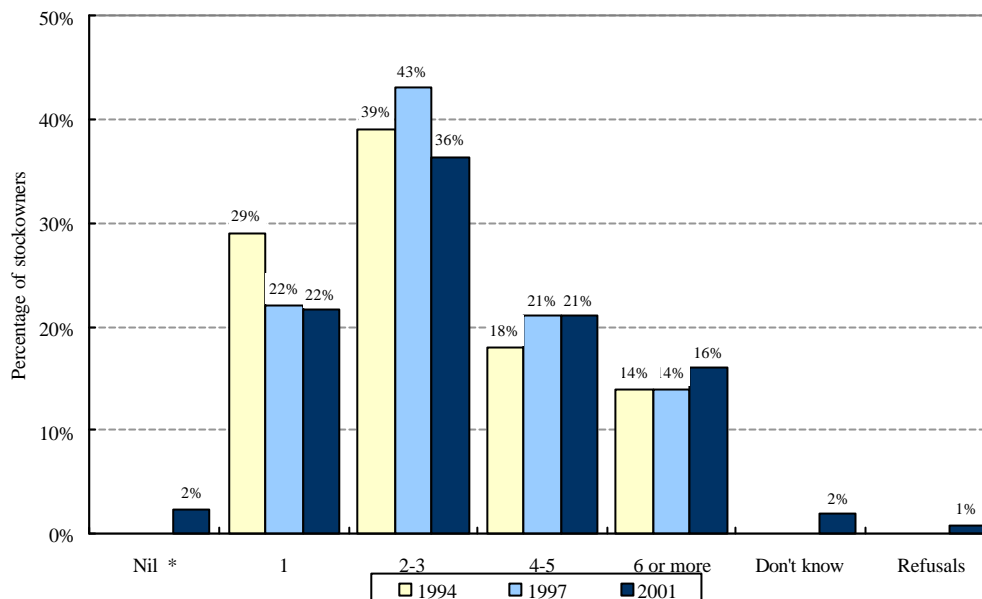


## 5.3 Number of listed company shares held

Most stockowners (60%) held shares of three or less listed companies. The median number of listed company shares held is three, the same as the findings in 1997. (Figure 8)



**Figure 8. Number of listed company shares held**

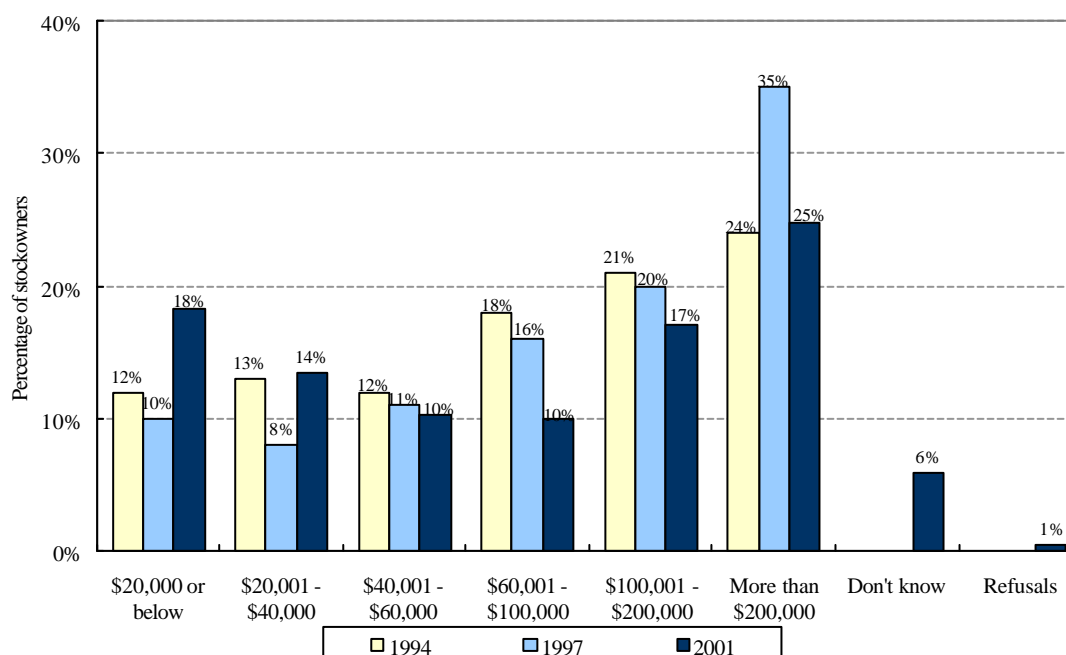


\* Holding either warrants or Exchange Traded Funds.

#### 5.4 Stock portfolio size

Over half of the stockowners (52%) held stocks of a current value of HK\$100,000 or below. The median value of stock holding is HK\$95,000, down one-third from HK\$150,000 in 1997. (Figure 9) Note that this was against the background of a drop of 24% in the Hang Seng Index between September 1997 to December 2001.

**Figure 9. Value of stock holding**



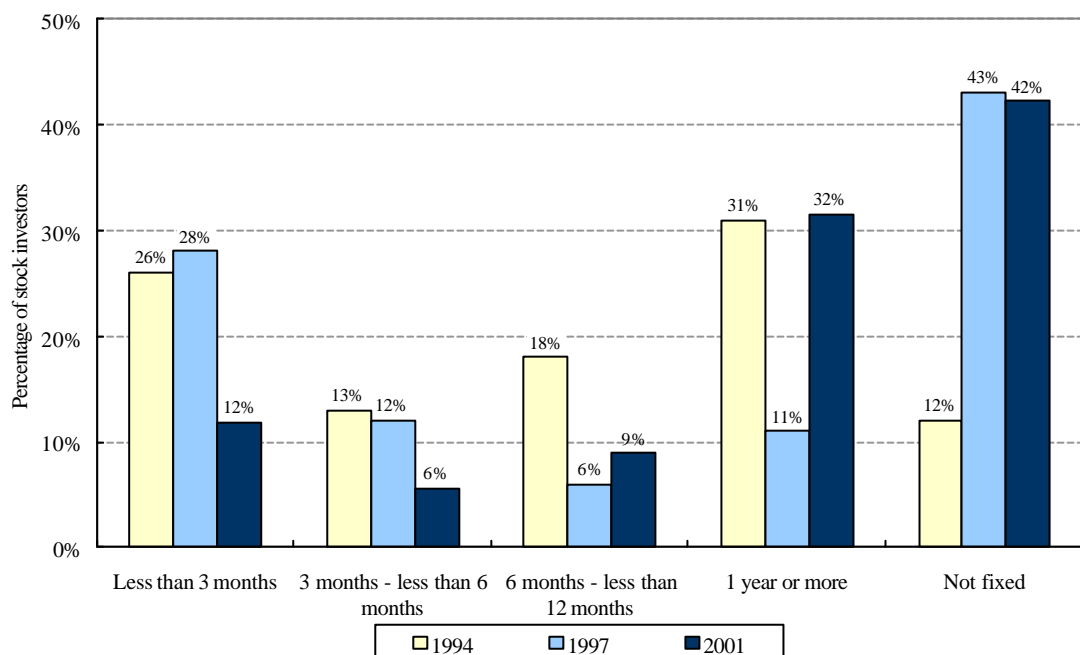


Expressing the value of stock holding as a ratio of monthly personal income, the median was 4.5 times, which was substantially lower than the corresponding ratio of 6.9 recorded in September 1997.

### 5.5 Investment time frame

Stock investors held stocks for a longer period when compared with the previous surveys. The median duration of stock holdings was 18 months, an increase from 4 months in 1997 and 8.5 months in 1994. However, 42% of stock investors did not have a fixed pattern. (Figure 10)

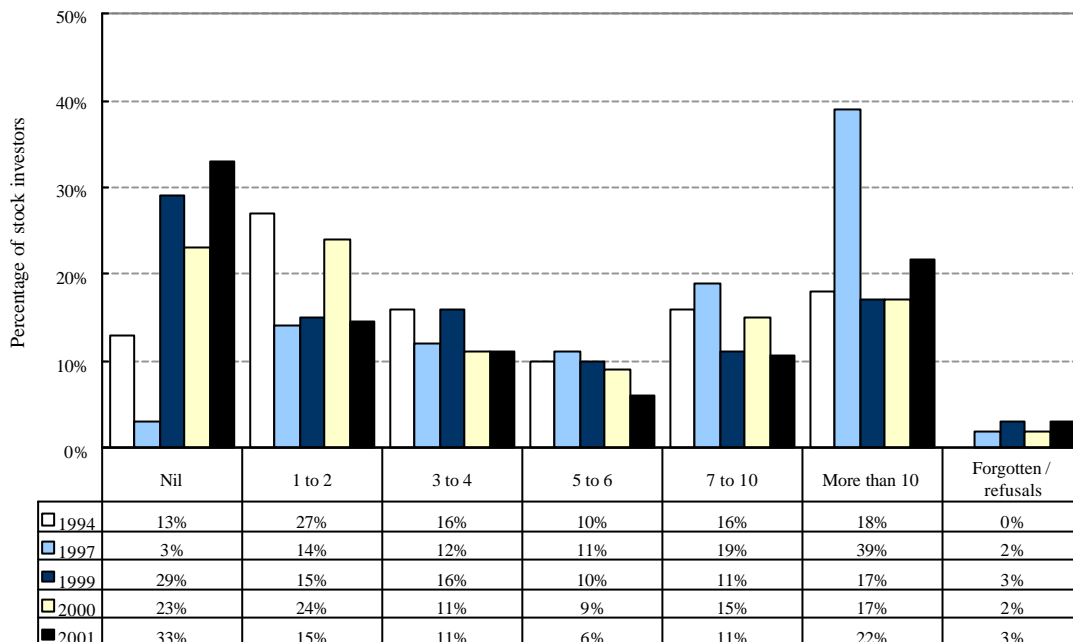
Figure 10. Duration of stock holding



### 5.6 Number of transactions

The median number of transactions made in the past 12 months was three in 2001, the same as that in 2000 and 1999, but a substantial drop from ten in 1997. Notably, 33% of the stock investors did not make any trades in the past 12 months, much higher than 23% in 2000. (Figure 11)

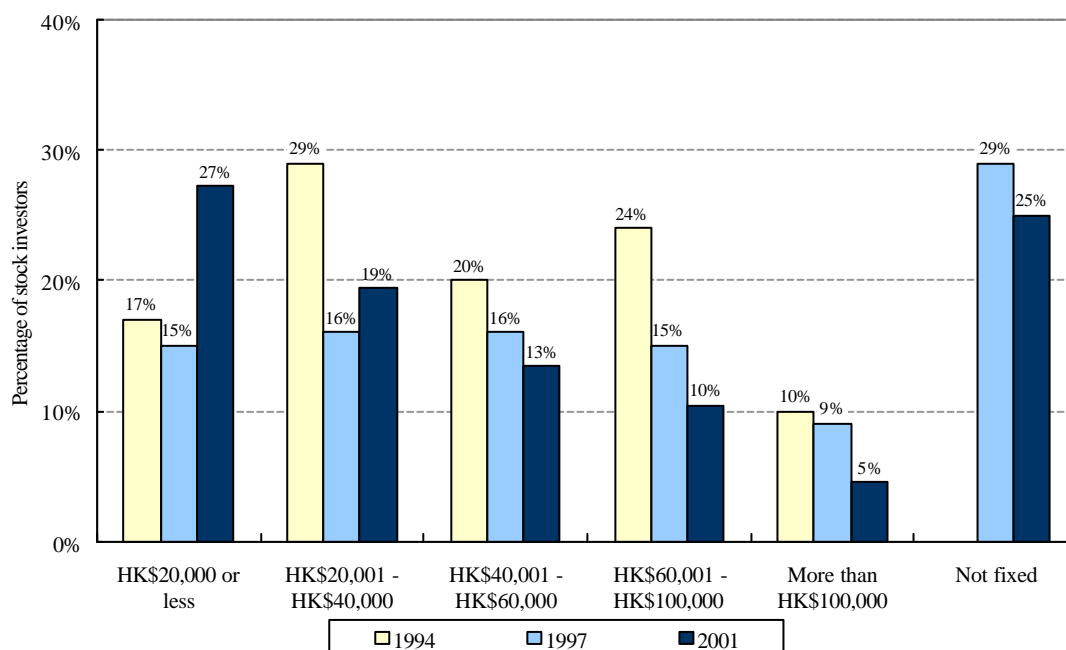
**Figure 11. Number of transactions made in the past 12 months**



### 5.7 Average deal size

Most stock investors (69%) usually traded HK\$100,000 or less in each transaction, and 27% had a usual transaction value of HK\$20,000 or below. The median value of each transaction was HK\$30,000, which was substantially lower than the HK\$50,000 in 1997. Note that the HSI dropped 24% between September 1997 to December 2001 and the average daily turnover value dropped 48% between 1997 to 2001. Moreover, 25% of the stock investors had no fixed pattern. (Figure 12)

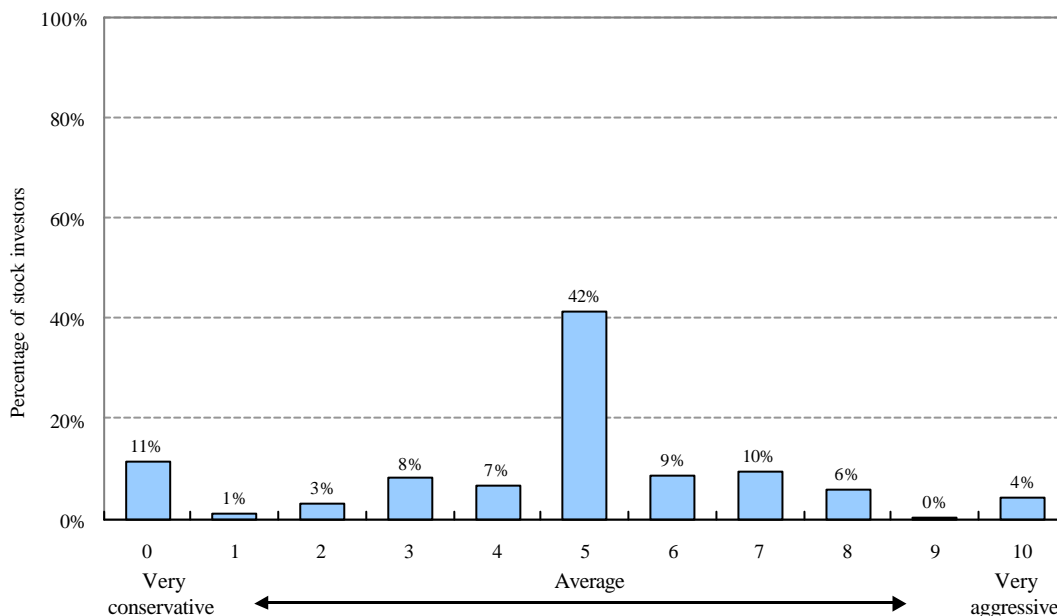
**Figure 12. Usual value of each transaction**



### 5.8 Risk preference

Stock investors were asked to indicate their willingness to take risk for a higher return on an 11-point scale with 0 being “very conservative”, 5 being “average” and 10 being “very aggressive”. 30% stock investors were more or less conservative (giving a score between 0 and 4), 42% were average (score 5) and 29% were more or less aggressive (score 6 to 10). The average score is 4.8. (Figure 13)

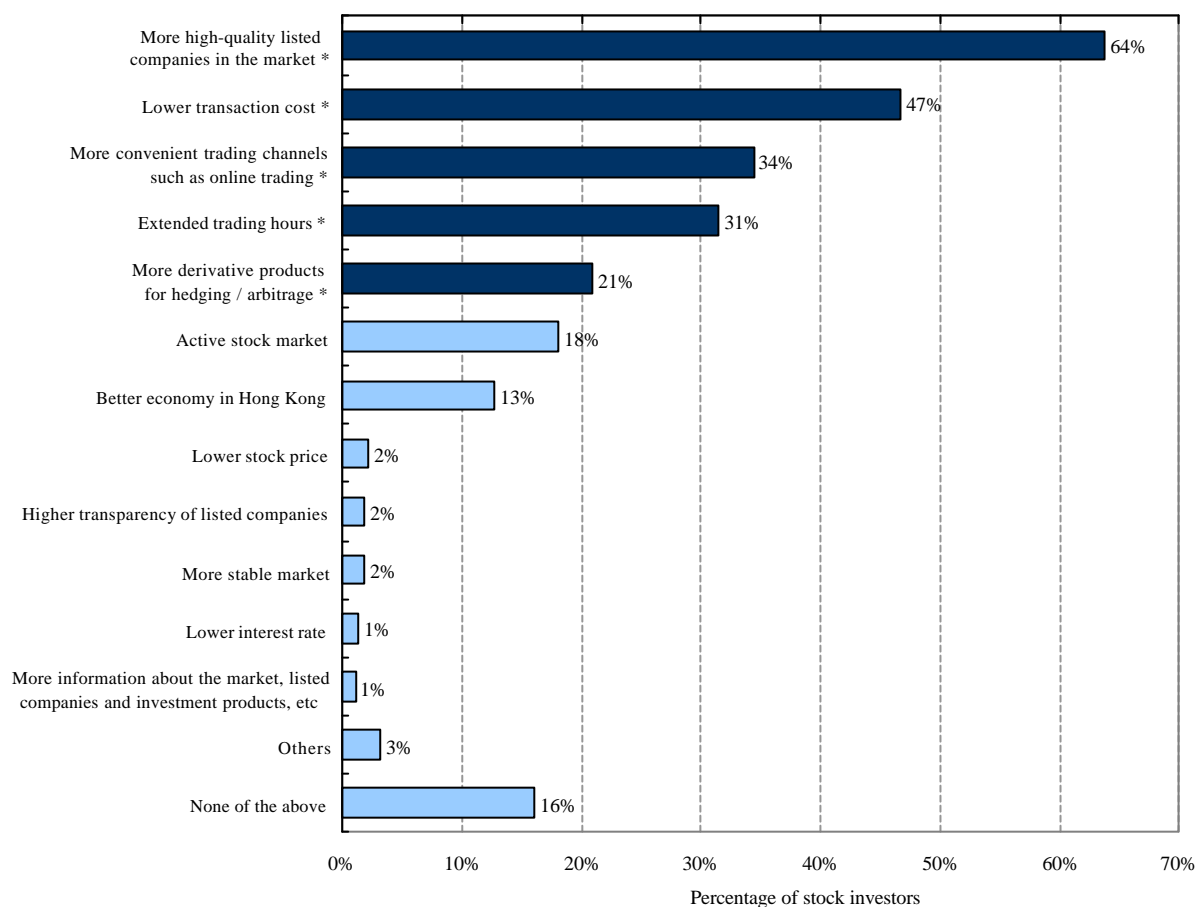
**Figure 13. Willingness to take risk**



### 5.9 What would make investors trade more

Stock investors were asked, if various changes were introduced to the Hong Kong stock market, whether they would participate more in stock trading — either by making more transactions or by increasing the value of their transactions. Among these factors, the most favourable ones included more high-quality listed companies in the market (64% of stock investors answered favourably) and lower transaction cost (47%). (Figure 14)

**Figure 14. Changes to the Hong Kong stock market to make investors trade more**



\* Read out to respondents while others were given by respondents.

Note: Multiple answers were allowed.

### 5.10 Investment behaviour by type of stock investors

Apart from online traders, whose characteristics are discussed in section 6, different types of stock investors also showed different investment behaviour, compared to stock investors as a whole: (Table 5)

- Stock-and-derivatives investors were more active traders —holding stocks for a shorter time period and trading more frequently. They were also more aggressive.
- New stock investors were less active traders —holding a smaller number of stocks and trading less frequently. Their value of stock holding and the usual value of each transaction were much smaller.

**Table 5. Investment behaviour by stock investor type**

(median)	Stock investors	Stock-only investors	Stock-and-derivatives investors	New stock investors
Number of years involved in Hong Kong stock trading	6	6	6	< 2
Number of listed company shares held among stockowners	3	3	3	1
Value of stock holding among stockowners (HK\$)	95,000	85,000	95,000	15,000
Ratio of value of stock holding to monthly personal income among stockowners	4.5	4.3	5.1	1.5
Duration of stock holding (months)	18	18	9	18
Number of transactions made in past 12 months	3	2	6	1
Usual value of each transaction (HK\$)	30,000	30,000	30,000	10,000
Willingness to take risk for higher return (mean score)	4.8	4.6	5.3	4.4

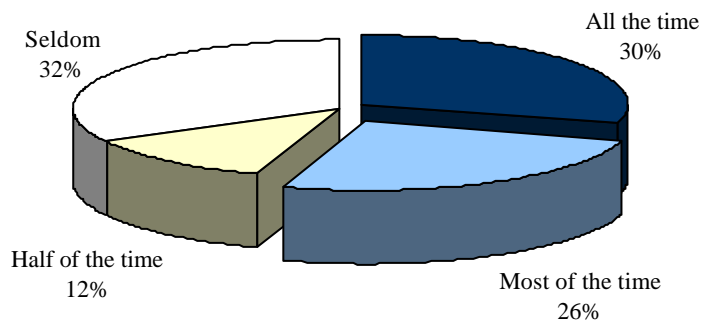
## 6. ONLINE TRADERS

### 6.1 Incidence and proportion of online traders

18% of stock investors were online traders. Compared to overall stock investors, online traders comprise a higher proportion of stock-and-derivatives investors (34% vs 24% of all stock investors).

Over half of online traders relied heavily on online trading —30% traded online all the time and 26% traded online most of the time. However, about one-third of online traders seldom used online trading. (Figure 15)

**Figure 15. Usage of online trading by online traders**

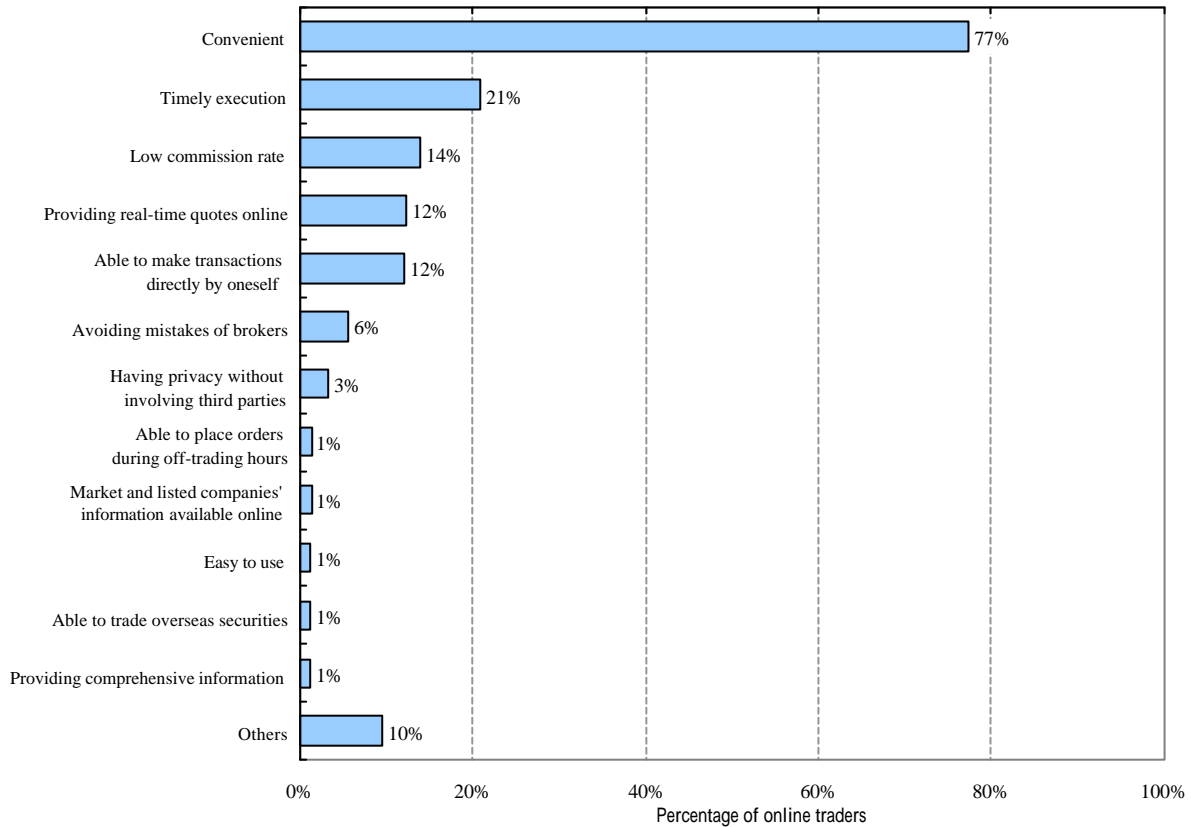




## 6.2 Reasons for trading / not trading online

The main reasons for using online trading included convenience (77%), timely execution (21%) and low commission rate (14%). (Figure 16)

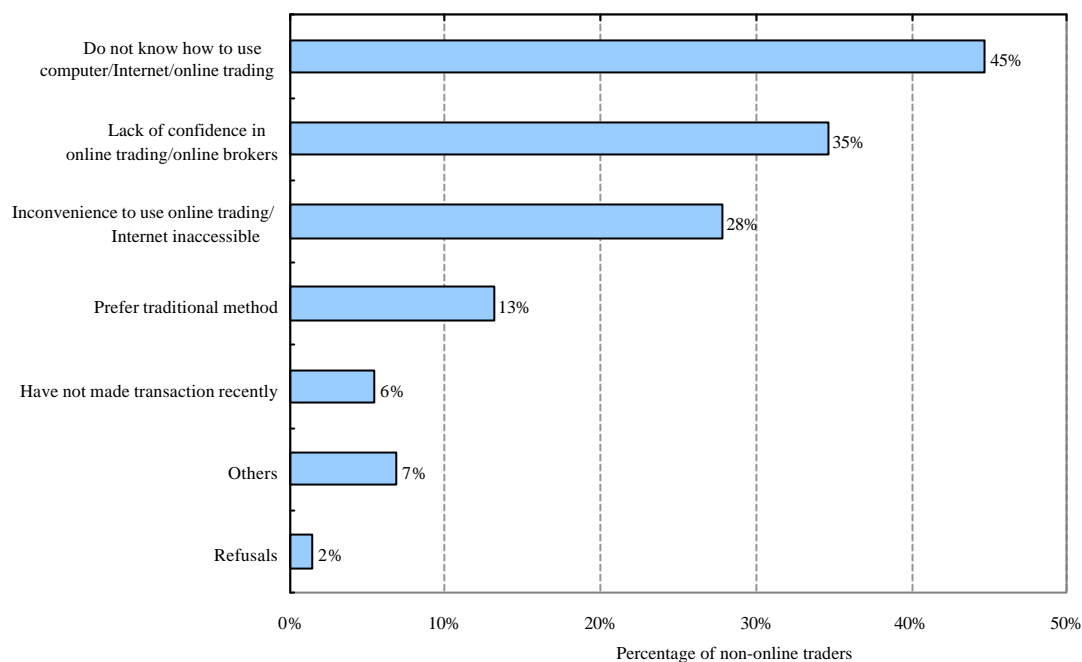
Figure 16. Reasons for using online trading



Note: Multiple answers were allowed.

For stock investors who had not traded Hong Kong stocks through electronic media, the main reasons were lack of knowledge on using computer/Internet/online trading (39%), lack of confidence in online trading/online brokers (25%) and inconvenience to use online trading/Internet inaccessible (21%). (Figure 17)

**Figure 17. Reasons for not using online trading**



*Note: Multiple answers were allowed.*

### 6.3 Investment behaviour of online traders

Compared to stock investors, online traders participated in Hong Kong stock trading for a shorter period of time. They were more active traders —holding stocks for a shorter duration and trading more frequently —and were more aggressive.

Compared to non-online traders, online traders held larger value of stock.

**Table 6. Investment behaviour of online traders**

(median)	Stock investors	Online traders	Non-online traders
Number of years involved in Hong Kong stock trading	6	4	6
Number of listed company shares held among stockowners	3	3	3
Value of stock holding among stockowners (HK\$)	95,000	95,000	85,000
Ratio of value of stock holding to monthly personal income among stockowners	4.5	4.3	4.5
Duration of stock holding (months)	18	9	18
Number of transactions made in past 12 months	3	10	2
Usual value of each transaction (HK\$)	30,000	30,000	30,000
Willingness to take risk for higher return (mean score)	4.8	5.2	4.7

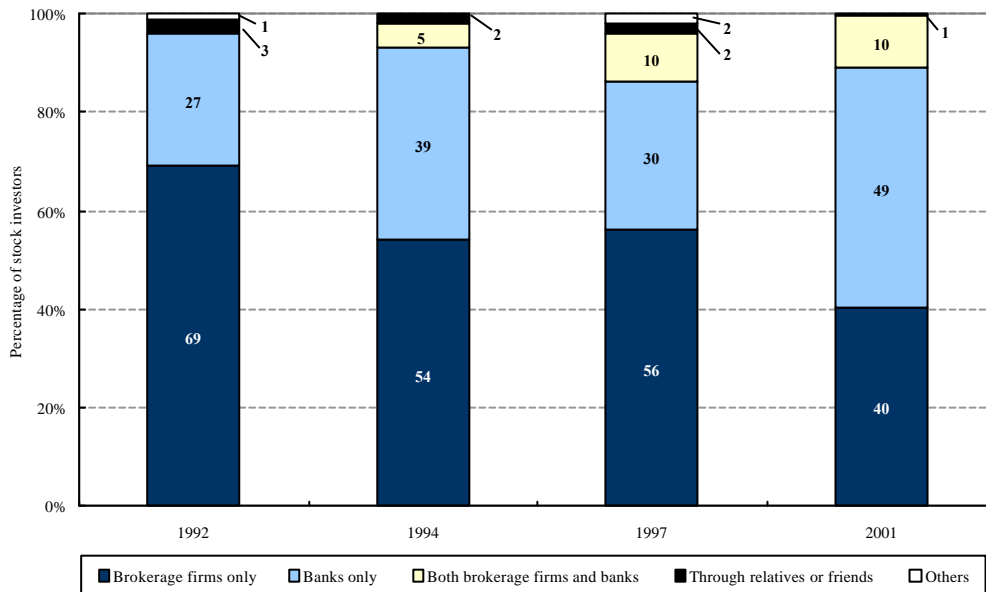


## 7. THE USE OF INTERMEDIARY SERVICES

### 7.1 Type of broker used

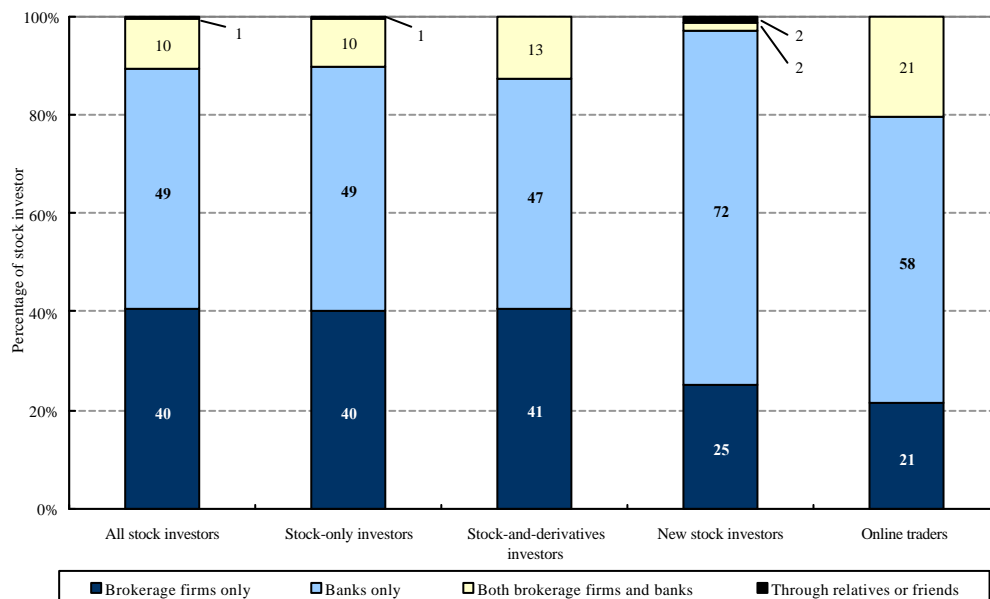
About half of stock investors (49%) traded through banks only, substantially up from 30% in 1997. 40% of stock investors traded through brokerage firms only, down from 56% in 1997. 10% of stock investors traded through both banks and brokerage firms, with 7% usually trading through brokerage firms and 4% usually trading through banks. (Figure 18)

**Figure 18. Type of broker used in stock trading (1992-2001)**



Compared to all stock investors, a larger proportion of new stock investors (72%) and online traders (58%) traded through banks only. (Figure 19)

**Figure 19. Type of broker used in stock trading by type of investor (2001)**



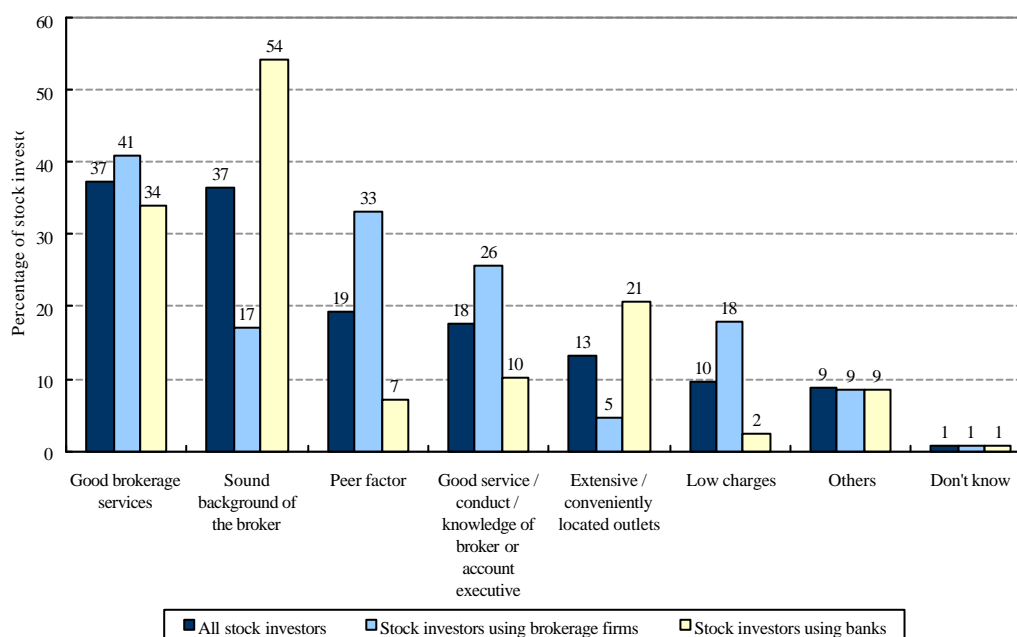
For investors who traded through both brokerage firms and banks, it was identified whether the brokerage firm or bank was their usual broker. For the purpose of comparative analysis in sections below, investors usually trading through brokerage firms were grouped together with those trading through brokerage firms only and a similar approach was used for those trading through banks.

## 7.2 Reasons for choosing the broker

Overall, the main reasons for choosing the broker currently used were good brokerage services (37%) such as efficient order execution and convenient settlement, sound background of the broker (37%) —having confidence in their financial background and good business record, peer factor (19%) such as recommendation by relatives or friends, and good service/conduct/knowledge of broker or account executive (18%) such as being friendly and helpful.

A substantial proportion of stock investors who traded through banks (54%) chose banks as their brokers for their sound background. (Figure 20)

**Figure 20. Reasons for choosing the broker currently used for stock trading**



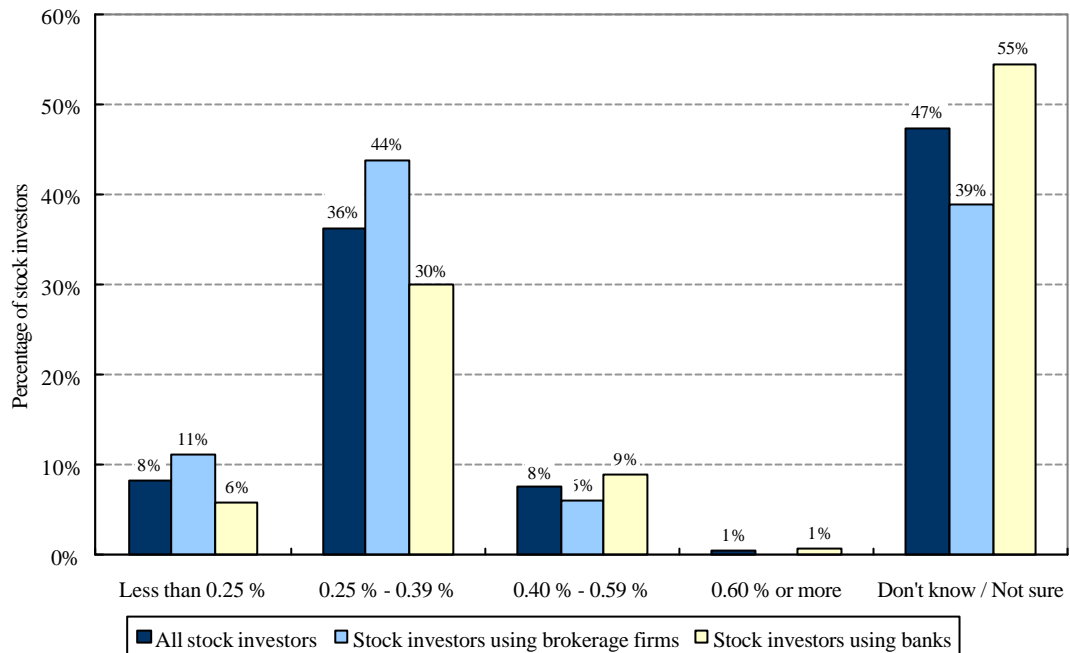
Note: Multiple answers were allowed.

## 7.3 Commission charged by brokers in stock trading

Over one-third (36%) of stock investors were charged a rate of 0.25% to 0.39% commission by their brokers. 8% of stock investors were charged less than 0.25%, the minimum brokerage commission rate. The median commission rate charged was 0.3%. However, about half of stock investors did not know or were not sure of the commission rate charged by their brokers.

A larger proportion of stock investors who traded through brokerage firms were charged less than 0.39% (55% vs 36% for those trading through banks). (Figure 21)

**Figure 21. Commission charged by brokers**



#### 7.4 Investment behaviour of stock investors by type of broker used

Compared to stock investors trading through banks, those trading through brokerage firms had longer investment experience, were more active traders —holding stocks for shorter time periods and trading more frequently, and were more aggressive. (Table 7)

**Table 7. Investment behaviour of stock investors trading through different types of broker**

(median)	Overall	Type of broker used	
		Brokerage firms	Banks
Number of years involved in Hong Kong stock trading	6.0	8.5	4.0
Number of listed company shares held among stockowners	3	3	2
Value of stock holding among stockowners (HK\$)	95,000	150,000	65,000
Ratio of value of stock holding to monthly personal income among stockowners	4.5	5.5	4.0
Duration of stock holding (months)	18	9	18
Number of transactions made in past 12 months	3	4	2
Usual value of each transaction (HK\$)	30,000	30,000	30,000
Willingness to take risk for higher return (mean score)	4.8	5.1	4.4



## 7.5 Satisfaction with broker services

Overall, most stock investors (80%) were satisfied with the services provided by their brokers in stock trading.

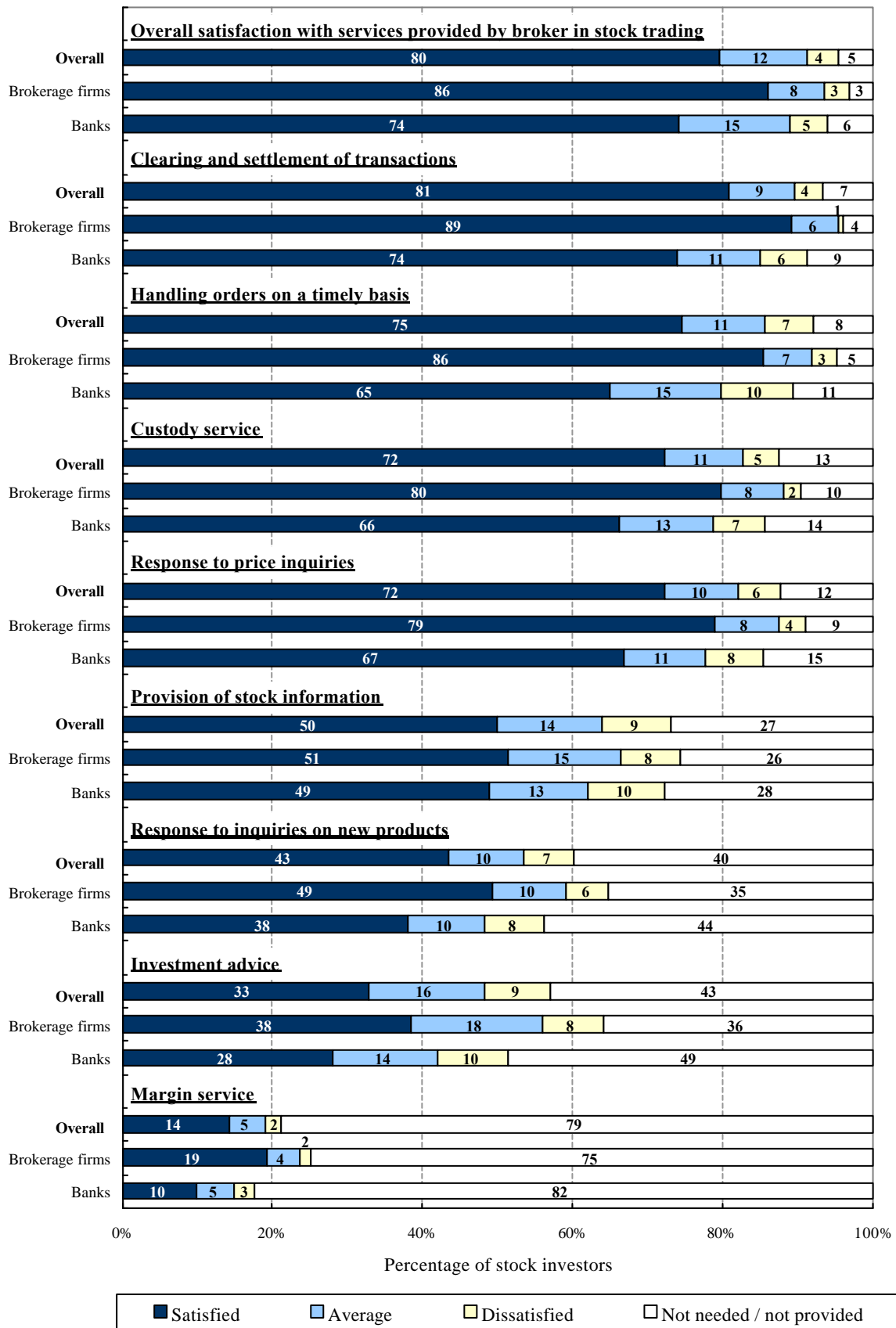
Among the services, investors were most satisfied with the clearing and settlement of transactions (81% satisfied), handling orders on a timely basis (75% satisfied), custody service (72% satisfied) and response to price inquiries (72% satisfied).

A considerable proportion of stock investors did not use services other than those directly related to stock trading execution, such as investment advice and response to inquiries on new products. (*Figure 22*)

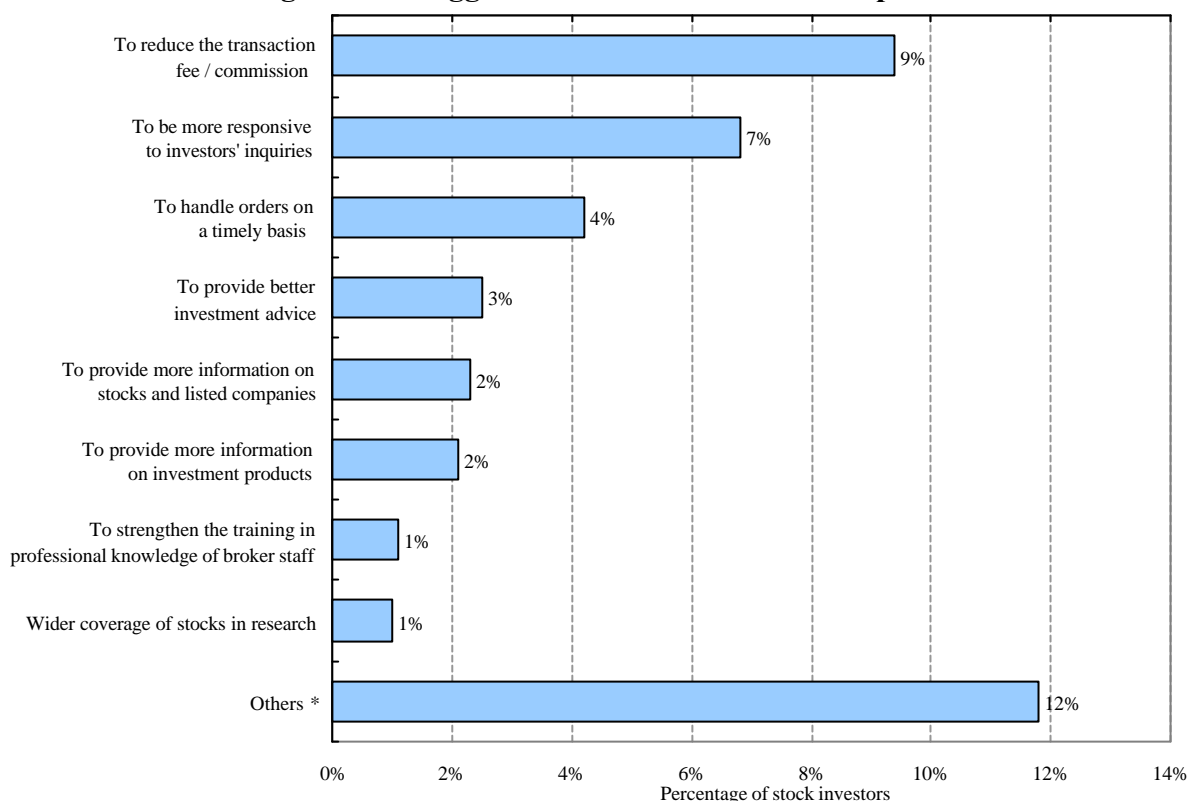
Higher investor satisfaction was obtained for the services provided by brokerage firms than those provided by banks, both on an overall basis and by each kind of service.

One-third of stock investors (33%) gave suggestions for improving the services provided by their brokers. Suggestions include reduction in transaction fee/commission (9% of all stock investors) and more responsiveness to investors' inquiries (7%). (*Figure 23*)

Figure 22. Satisfaction with broker services



**Figure 23. Suggestions for broker service improvements**



\* Suggestions each mentioned by less than 1% of stock investors.

Note: Multiple answers were allowed.

## 8. PERCEPTIONS OF THE HONG KONG STOCK MARKET

### 8.1 Views on the stock market

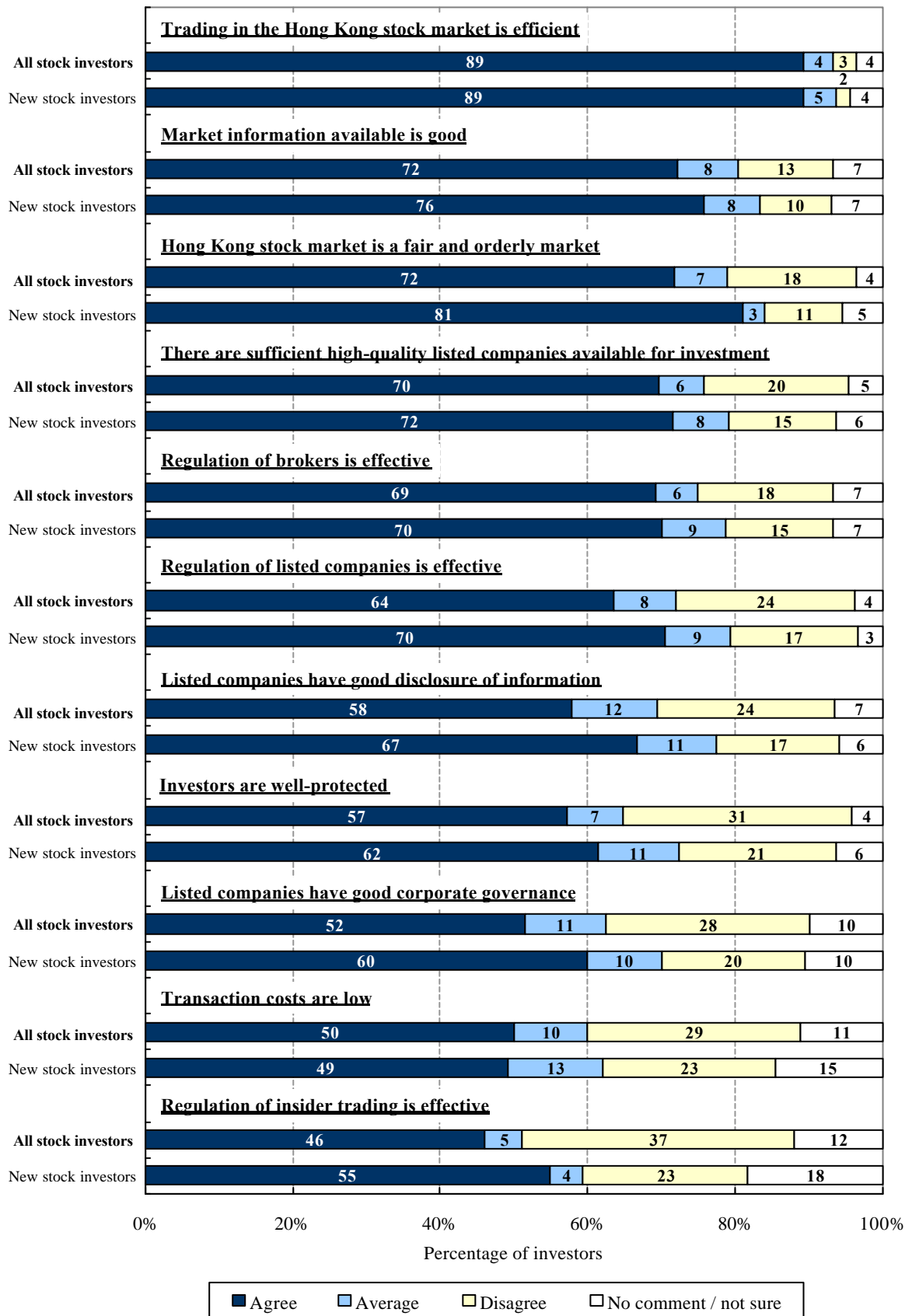
About half or more of stock investors were positive on the various aspects of the Hong Kong stock market. Compared with all stock investors, new stock investors were more positive or less negative on each of the aspects.

Most stock investors agreed that trading in the Hong Kong stock market was efficient (89% agreed vs 3% disagreed), market information available was good (72% agreed vs 13% disagreed), the Hong Kong stock market was a fair and orderly market (72% agreed vs 18% disagreed), there were sufficient high-quality listed companies available for investment (70% agreed vs 20% disagreed) and regulation of brokers was effective (69% agreed vs 18% disagreed).

The majority of stock investors agreed that regulation of listed companies was effective (64% agreed vs 24% disagreed), listed companies had good disclosure of information (58% agreed vs 24% disagreed), investors were well-protected (57% agreed vs 31% disagreed) and listed companies had good corporate governance (52% agreed vs 28% disagreed). About half of the stock investors agreed that transaction costs were low (50% agreed vs 29% disagreed) and regulation of insider trading was effective (46% agreed vs 37% disagreed). (Figure 24)



Figure 24. Views on Hong Kong stock market





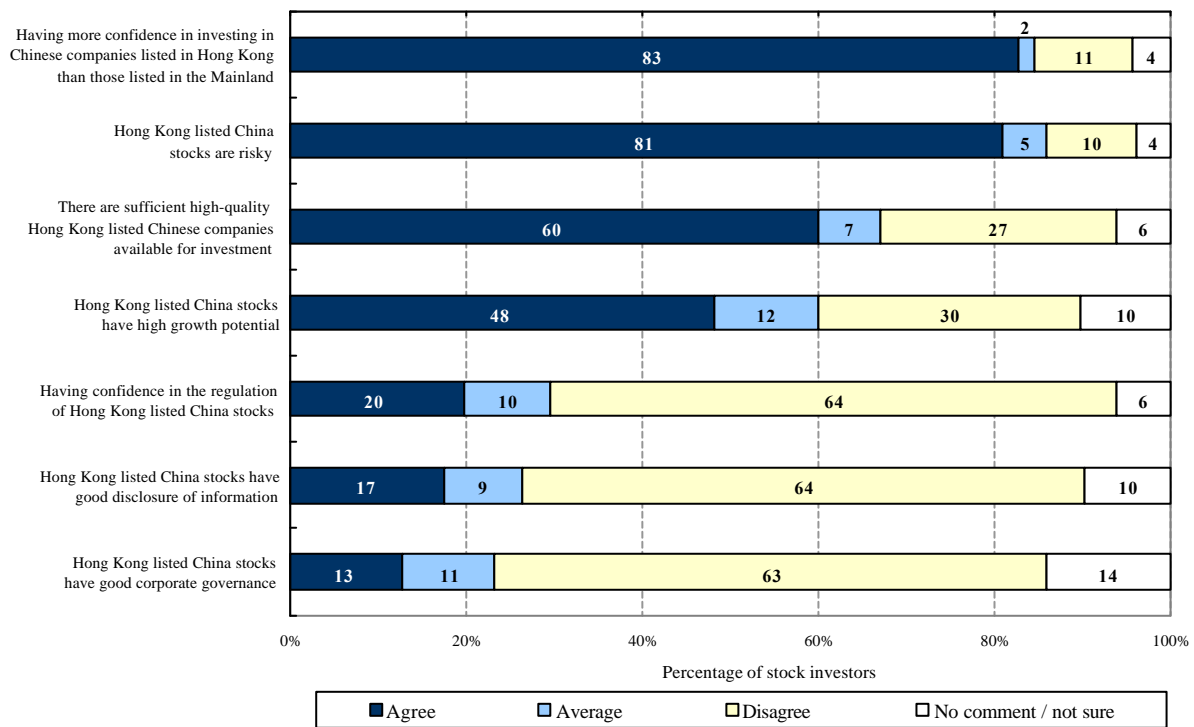
## 8.2 Views on Hong Kong listed China stocks

Almost all stock investors (97%) had heard of Hong Kong listed China stocks (i.e. H shares and red chips).

For those who had heard of Hong Kong listed China stocks, most agreed that they had more confidence in investing in Chinese companies listed in Hong Kong than those listed in the Mainland (83%). While more agreed than disagreed that there were sufficient high-quality Chinese companies listed in Hong Kong for investment (60% agreed vs 27% disagreed) and that these stocks had high growth potential (48% vs 30%), most of them were of the view that these stocks were risky (81%).

13% agreed (vs 63% disagreed) that Hong Kong listed China stocks had good corporate governance and 17% agreed (vs 64% disagreed) that these stocks had good disclosure of information. 20% agreed (vs 64% disagreed) that they had confidence in the regulation of Hong Kong listed China stocks. (Figure 25)

**Figure 25. Views on Hong Kong listed China stocks**



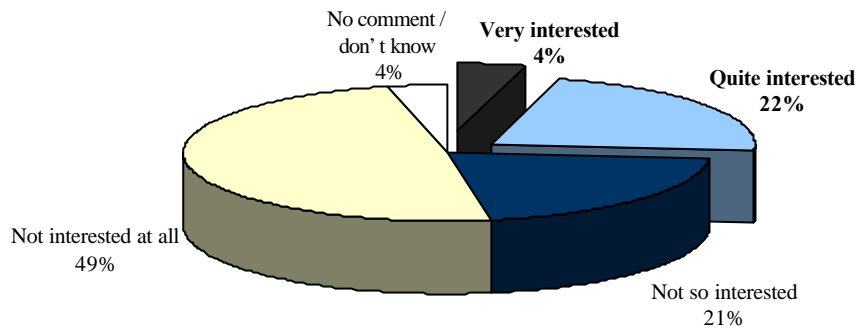




### 8.3 Interest in trading overseas stocks through HKEx

About one-quarter (26%) of stock investors showed interest in trading overseas stocks through HKEx. However, 49% were not interested at all. A larger proportion of online traders (41% of them) showed interest. (Figure 26)

**Figure 26. Interests in trading overseas stocks through HKEx**



\*\*\* End \*\*\*