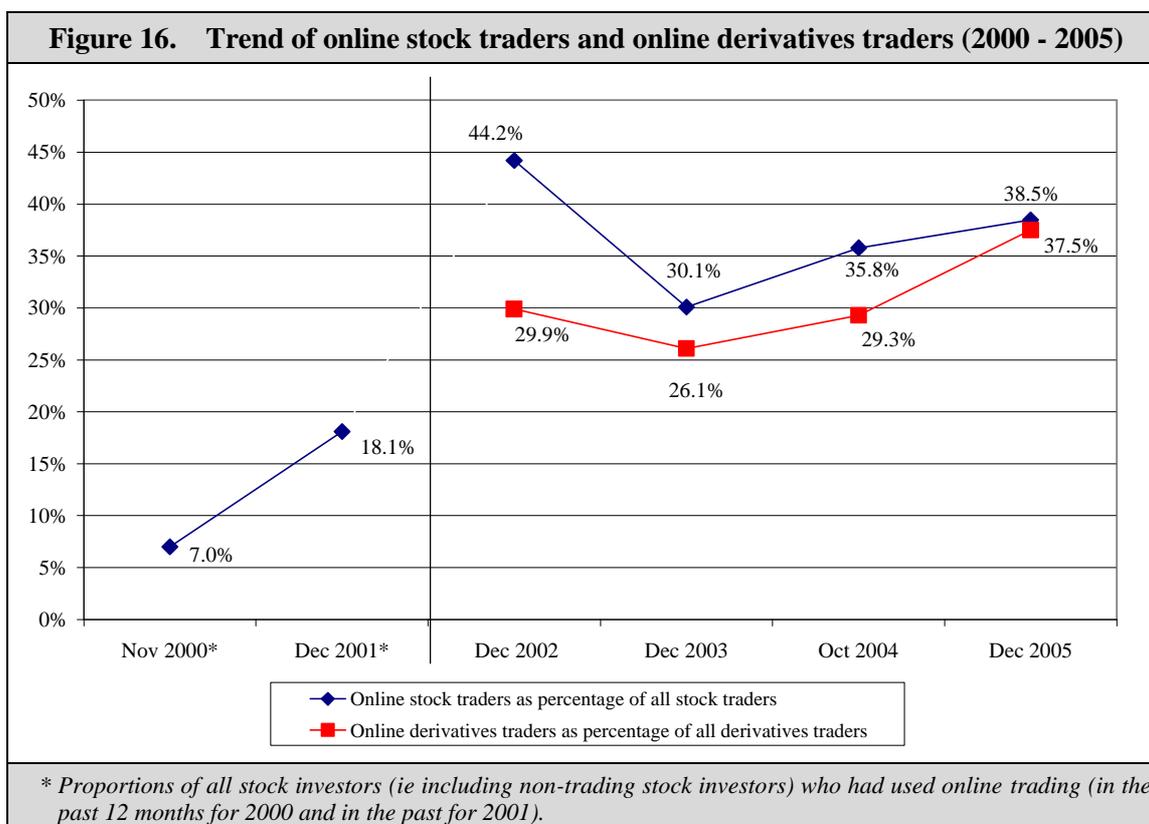


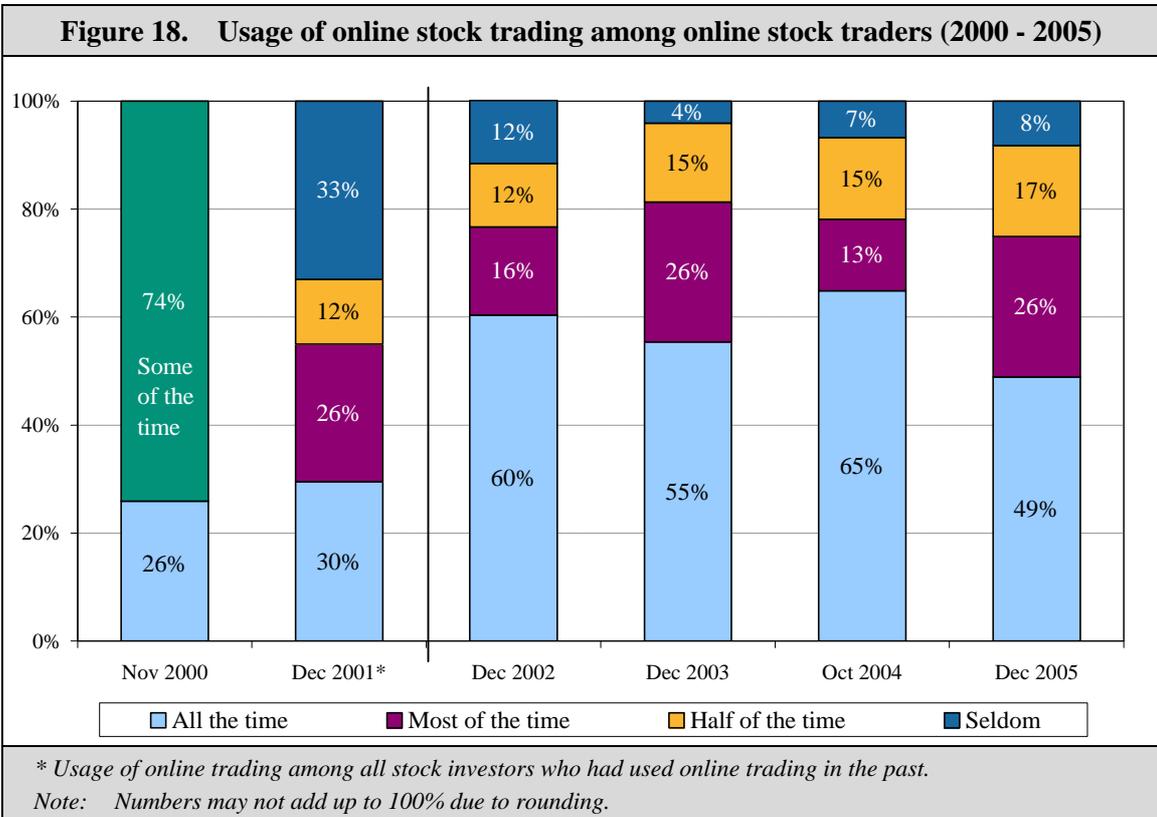
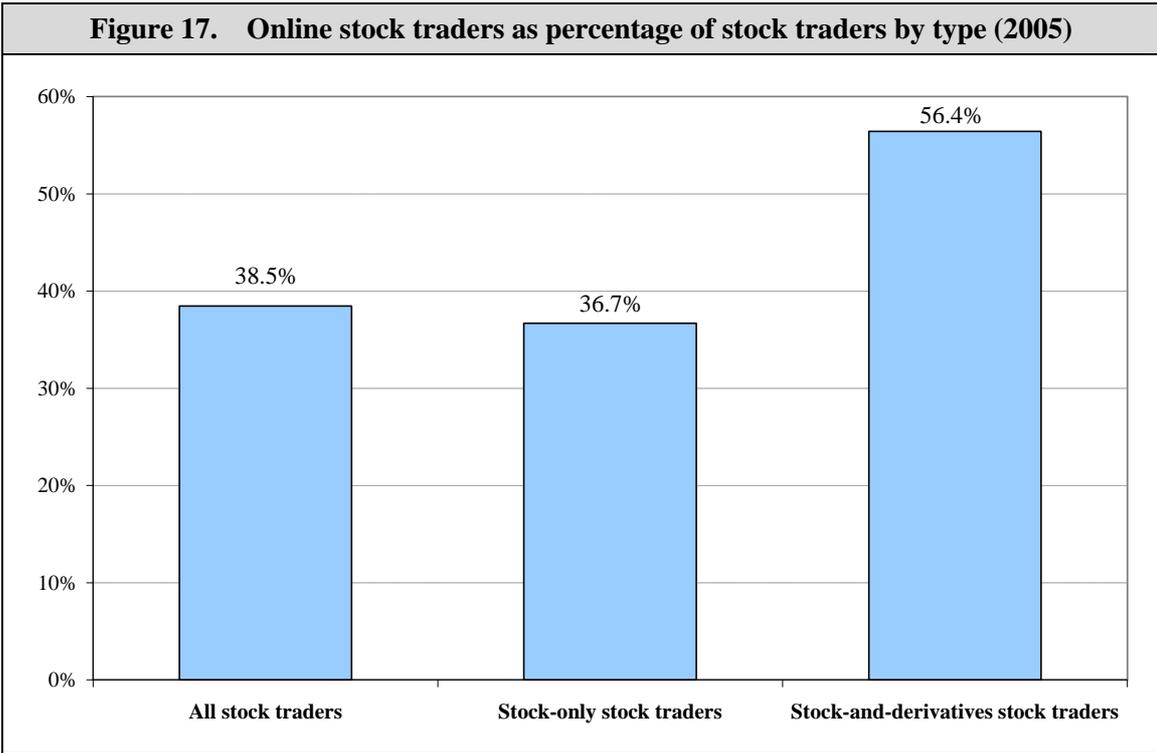
7. ONLINE TRADERS

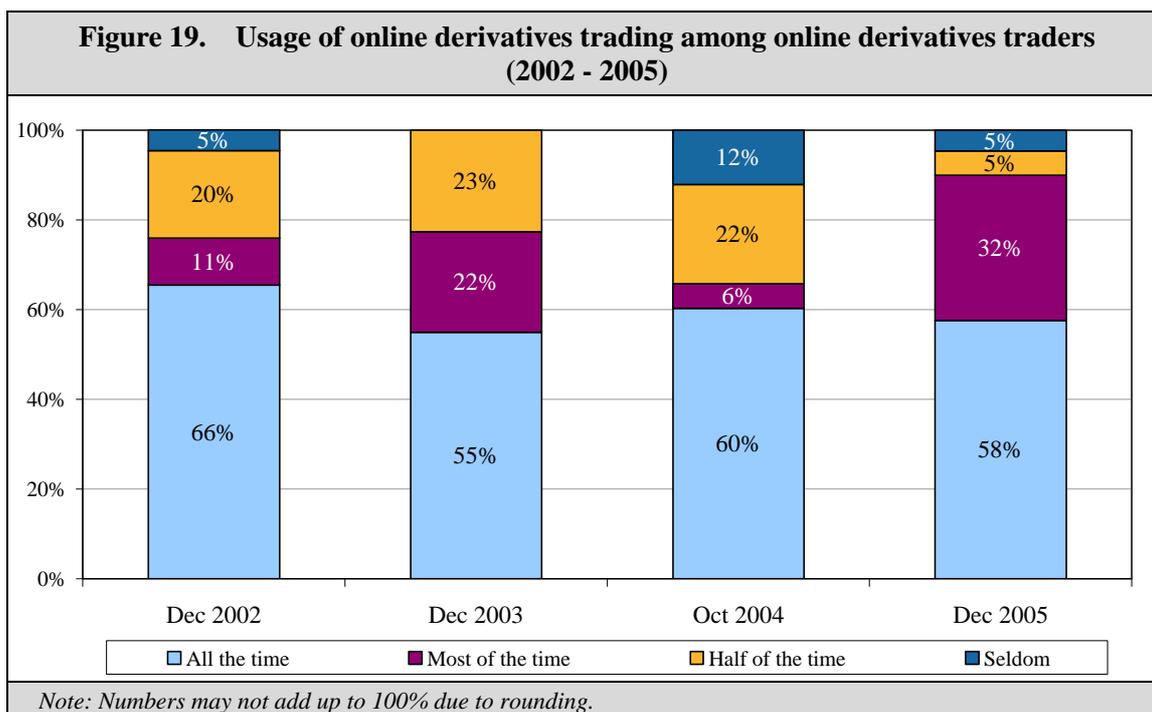
7.1 Incidence and proportion of online stock traders and online derivatives traders

- Online stock traders have accounted for more than 30% of all stock traders since 2003 and reached 38.5% in 2005. Online derivatives traders also rose to 37.5% of all derivatives traders in 2005.
- Compared to stock-only stock traders, a larger proportion of stock-and-derivatives stock traders were online traders (56% vs 37%).
- The proportion of online stock traders who traded online all the time or most of the time remained similar to 2004 (75% vs 78%).
- The proportion of online derivatives traders who traded online all the time or most of the time increased from 66% in 2004 to 90% in 2005.

Note: 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. Due to the terminology used in the survey questionnaire, some derivatives investors might have responded to certain questions based on their perceptions of the derivative warrants market. Therefore, caution is needed in interpreting the findings on derivatives investors.







7.2 Profile and trading pattern of online stock traders and online derivatives traders

- A typical online stock trader was a 42-year-old white-collar worker, with tertiary or above education, a monthly personal income of about HK\$22,500 and a monthly household income of about HK\$45,000.
- Compared with non-online stock traders, online stock traders comprised a larger proportion of individuals with higher education level, higher work status, higher monthly personal income and higher monthly household income.
- Compared to non-online stock traders, online stock traders were more active in stock trading in terms of both frequency (a median of 10 transactions vs 6) and average deal size (a median of HK\$50,000 vs HK\$40,000). In aggregate, online stock traders contributed 48% of total retail stock trading.⁸
- Compared to non-online derivatives traders, online derivatives traders tended to trade more frequently (a median of 10 transactions vs 5) and with a larger average deal size (a median of 4 contracts vs 2). In aggregate, online derivatives traders contributed 72% of total retail derivatives trading.⁹

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

⁸ It must be borne in mind that not all stock trading by online stock traders was done online.

⁹ It must be borne in mind that not all derivatives trading by online derivatives traders was done online.

Table 9. Profile of online and non-online stock traders (2005)

(%)	Stock investors	Stock traders	Non- online stock traders	Online stock traders		
				Dec 03	Oct 04	Dec 05
Sex						
Male	55.1	56.4	52.1	68	64.6	63.3
Female	45.0	43.6	48.0	32	35.4	36.7
Age						
18 – 19	0.3	0.4	0.5	-	-	0.2
20 – 29	10.9	11.6	8.8	13.4	13.9	16.2
30 – 39	25.7	25.7	22.6	47.7	40.1	30.6
40 – 49	31.5	32.0	29.4	19	34.9	36.0
50 – 59	20.6	19.6	24.4	14.6	8	11.8
60 or over	11.1	10.8	14.3	5.4	3.1	5.2
Median	42	42	47	37	37	42
Education level						
No schooling / kindergarten	1.2	0.8	1.2	-	-	-
Primary	7.0	6.5	9.2	2.7	3.4	2.2
Lower secondary	13.7	12.2	15.5	12.2	10.6	7.0
Upper secondary	29.4	29.3	29.6	21.5	23.8	28.7
Matriculation	7.5	8.1	8.2	5.5	5.5	7.9
Tertiary or above	40.7	42.6	35.4	58	56.7	54.3
Refusals	0.5	0.6	0.9	-	-	-
Occupation						
Managers / administrators / professionals	23.7	24.6	20.5	33.5	36.4	31.0
White collar	30.1	32.1	29.4	33.5	31.8	36.3
Blue collar	15.0	13.9	15.7	12.3	11.3	11.0
Homemakers	12.0	10.5	12.9	8.4	8.8	6.7
Retirees	11.4	11.3	13.9	6.7	4.5	7.0
Students	0.6	0.7	0.8	-	0.4	0.7
Unemployed persons	3.5	3.5	3.6	2.8	1.7	3.4
Others	0.0	0.0	0.0	-	0.4	0.0
Refusals	3.7	3.4	3.2	2.8	4.7	3.8
Median monthly personal income (HK\$) *	18,750	18,750	16,250	22,500	22,500	22,500
Median monthly household income(HK\$)	35,000	35,000	35,000	35,000	35,000	45,000

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

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

Figure 20. Number of stock transactions in the past 12 months by online stock traders (2002 - 2005)

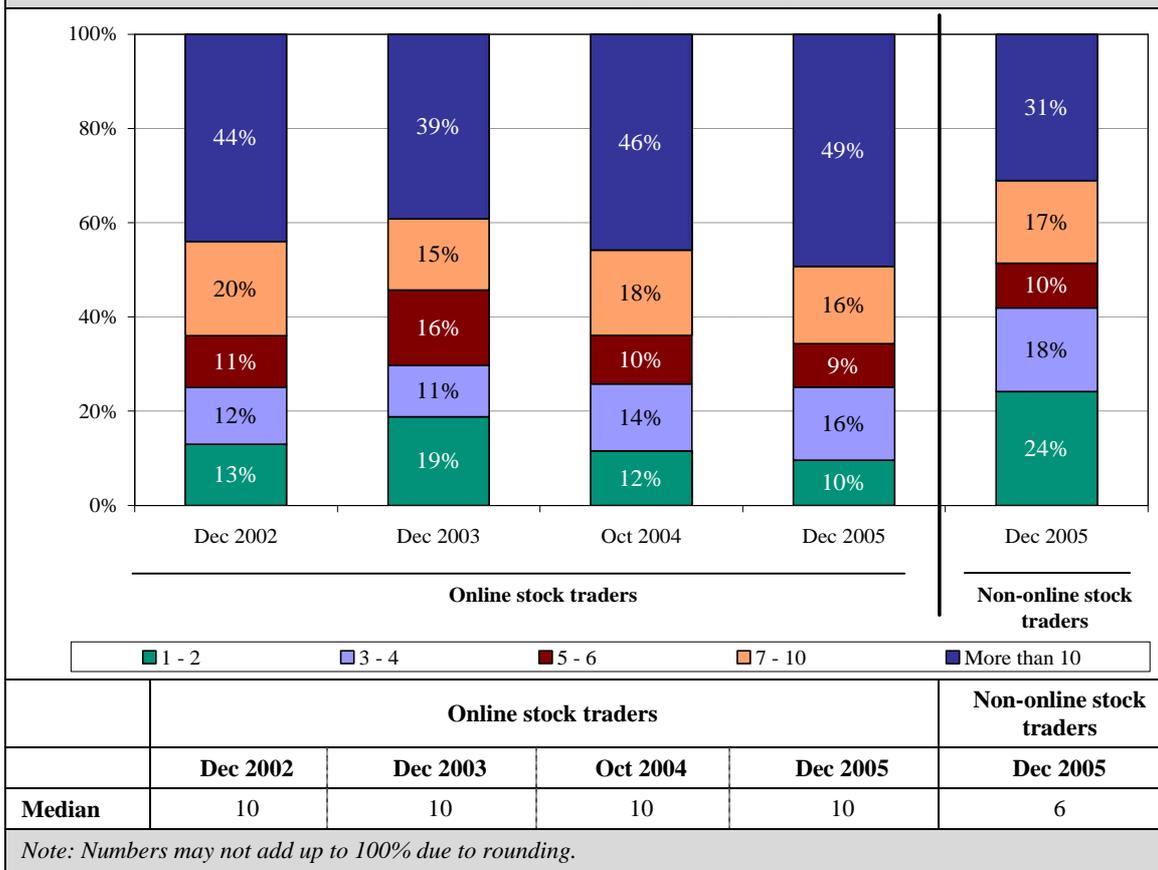


Figure 21. Average value per stock transaction in the past 12 months by online and non-online stock traders (2005)

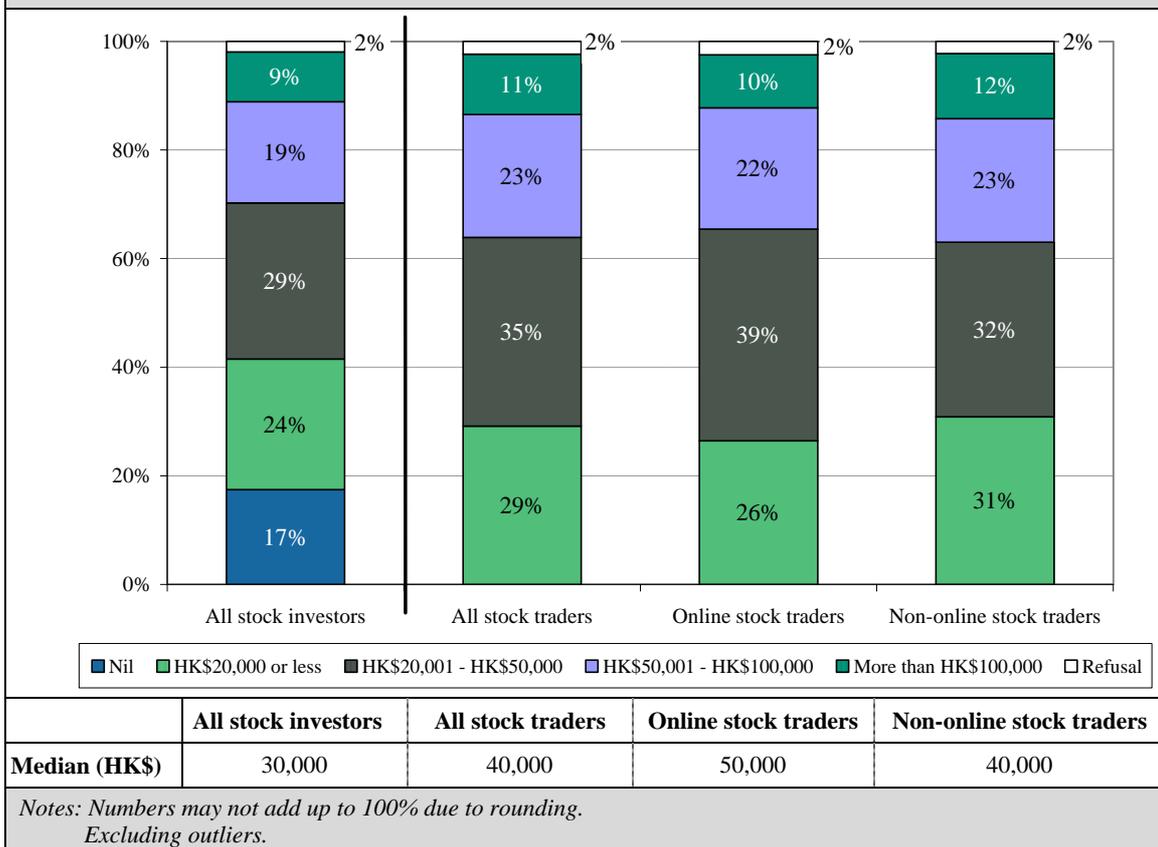


Figure 22. Implied total transaction value in the past 12 months by online and non-online stock traders (2005)

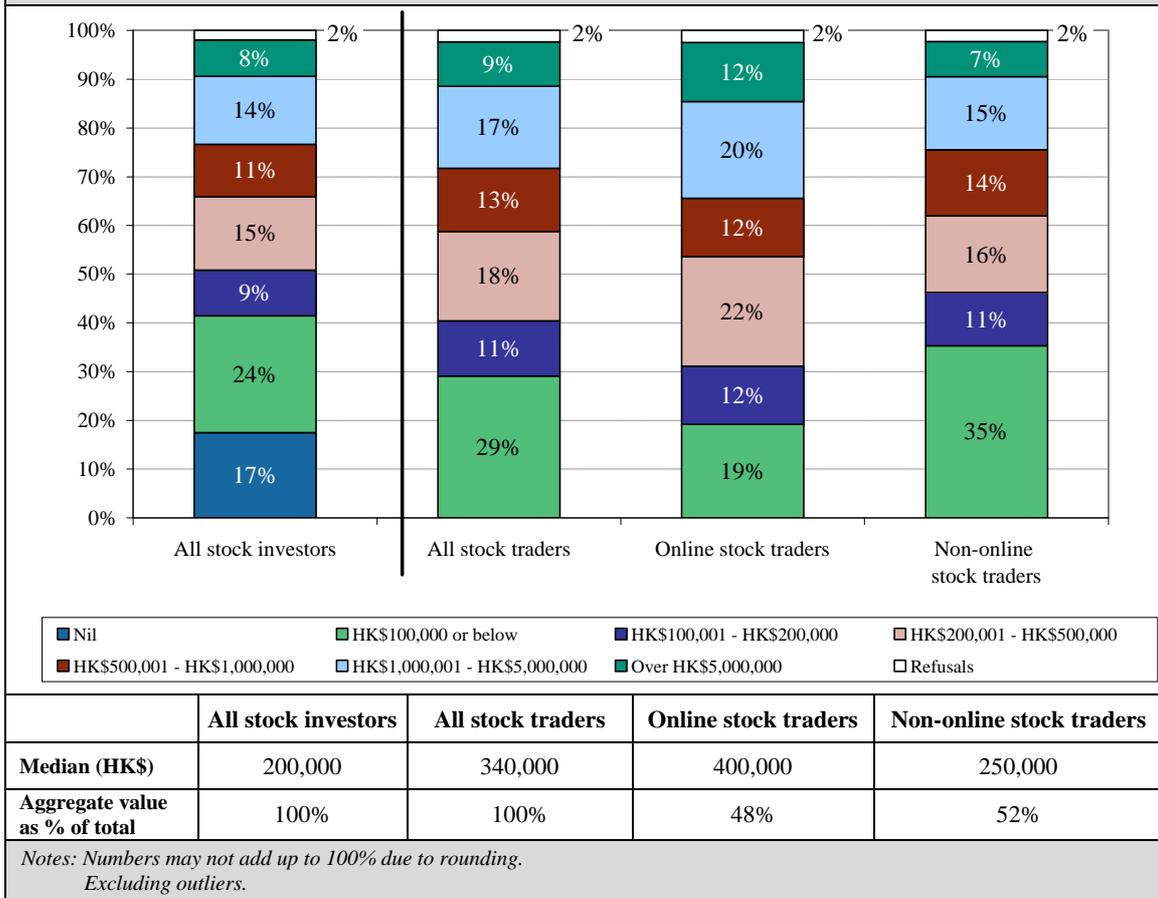


Figure 23. Number of derivatives transactions in the past 12 months by online derivatives traders (2002 - 2005)

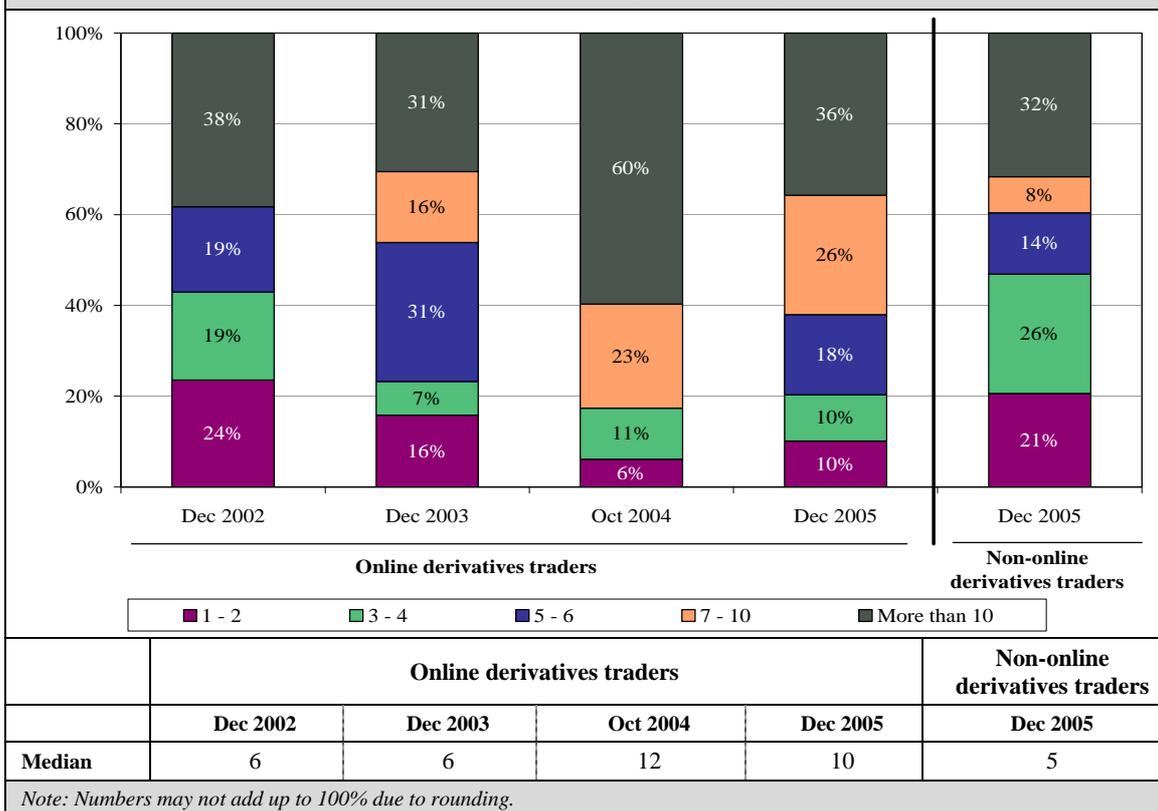


Figure 24. Average contract volume per derivatives transaction in the past 12 months by online and non-online derivatives traders (2005)

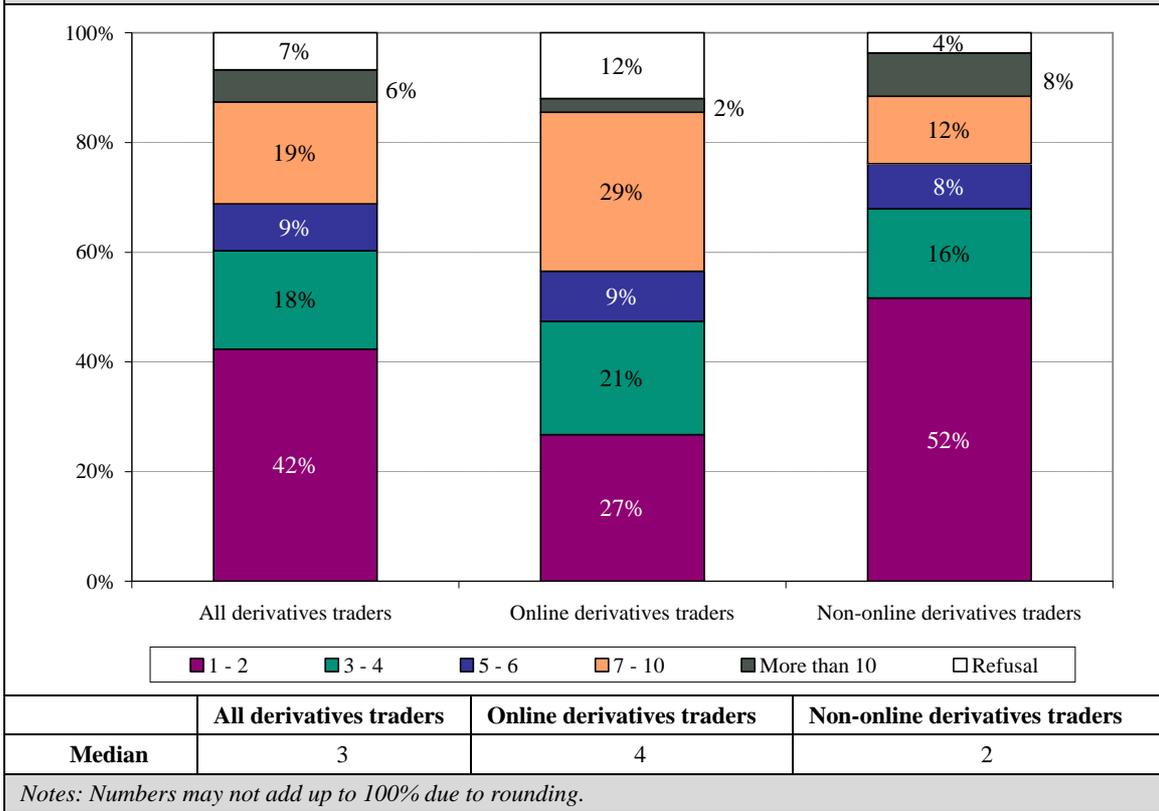
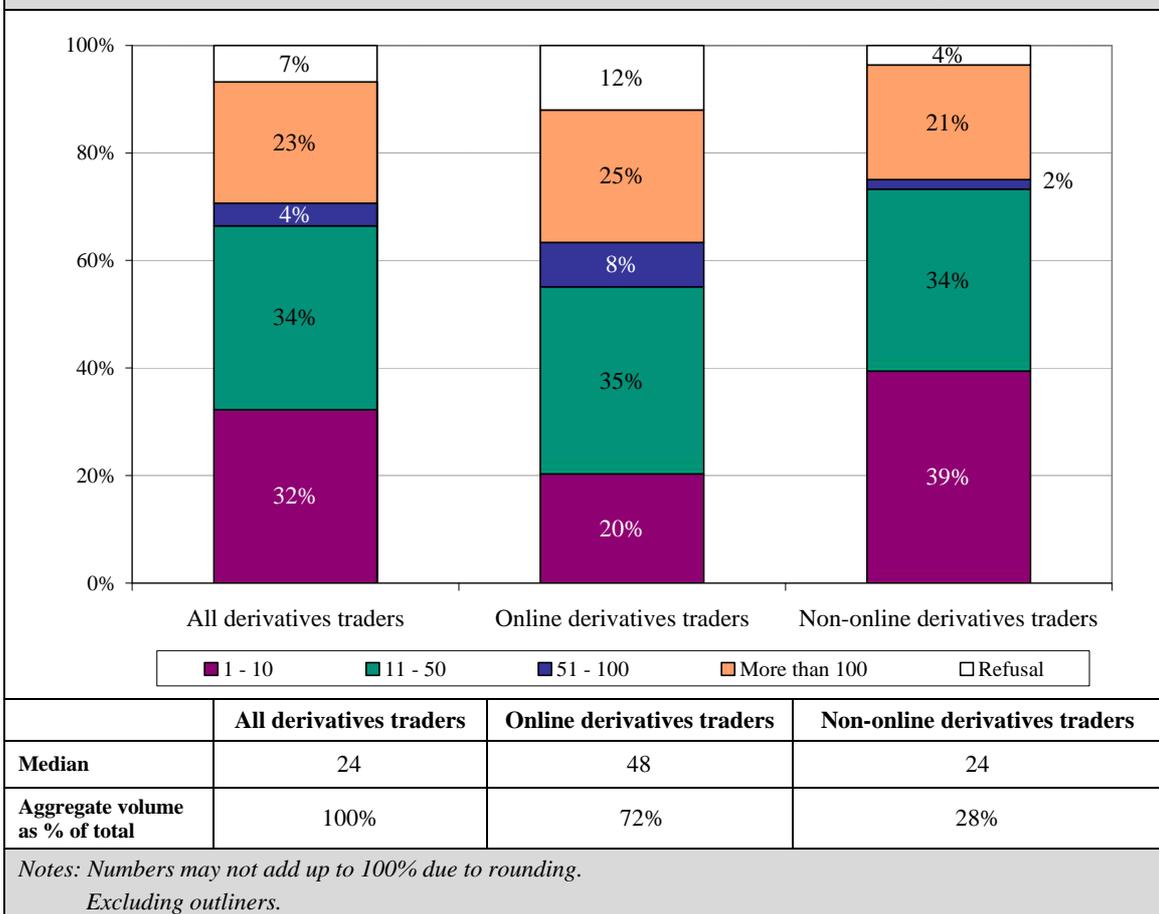


Figure 25. Implied total transaction value in the past 12 months by online and non-online derivatives traders (2005)



8. PERCEPTIONS OF THE HKEX MARKETS

- Stock investors' perceptions of the HKEx stock market were generally positive and had improved compared with 2004.
- Frequent stock traders were more positive about "Regulation of stock brokers is effective" than non-frequent stock traders and non-trading stock investors but were less positive about "Hong Kong stock market is a fair and orderly market" and "listed companies have good disclosure of information".
- The majority of derivatives investors were positive about the HKEx derivatives market's fairness and orderliness and the availability of good trading information, similar to the views in 2004. However, fewer agreed that "Regulation of HKEx derivatives brokers is effective" and "HKEx derivatives investors are well-protected" than in 2004.
- Stock investors who traded mainly through broker firms were more positive on the effectiveness of stock broker regulation than those trading mainly through banks. Derivatives investors trading mainly through broker firms and those trading mainly through banks had similar views on the effectiveness of derivatives broker regulation.
- Comparing with 2004, a larger proportion of retail investors (more than 50%) agreed that "HKEx gives priority to the public interest".

Notes: 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. Due to the terminology used in the survey questionnaire, some derivatives investors might have responded to certain questions based on their perceptions of the derivative warrants market. Therefore, caution is needed in interpreting the findings on derivatives investors.

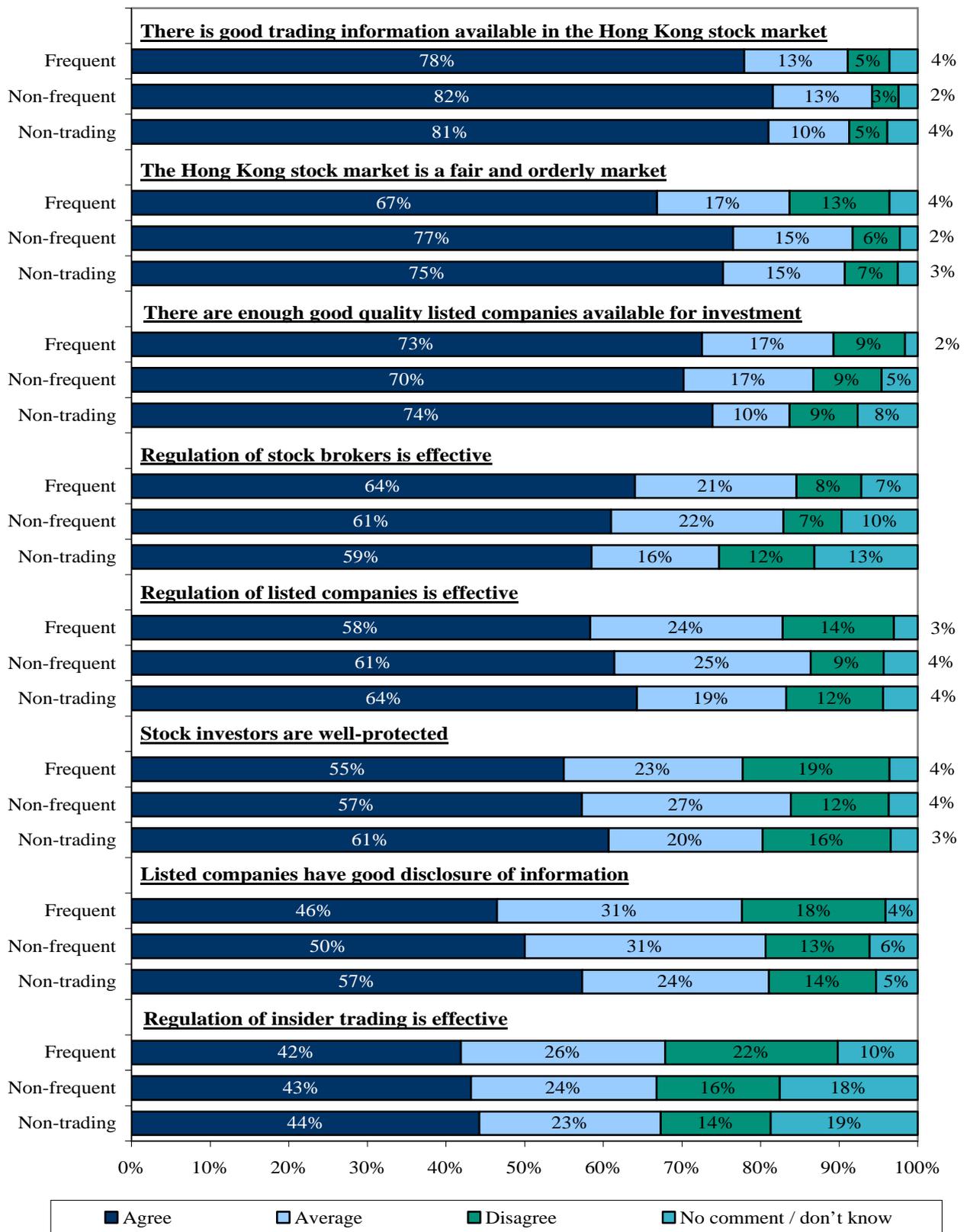
The survey assesses retail investors' perceptions of certain aspects of the securities and derivatives markets operated by HKEx. Areas of assessment include those which would largely be outside the responsibilities of HKEx, such as the regulation of brokers and the regulation of insider trading.

Figure 26. Perceptions of the Hong Kong stock market (2004 and 2005)



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

Figure 27. Comparison of perceptions of the Hong Kong stock market by frequent, non-frequent stock traders and non-trading stock investors* (2005)



* Frequent stock traders are stock traders who traded more than 10 times in the 12-month period; non-frequent stock traders are stock traders who traded 1 to 10 times in the 12-month period; non-trading stock investors are stockowners who did not trade stocks in the 12-month period.
 Note: Numbers may not add up to 100% due to rounding.

Figure 28. Perceptions of the HKEx derivatives market (2004 and 2005)

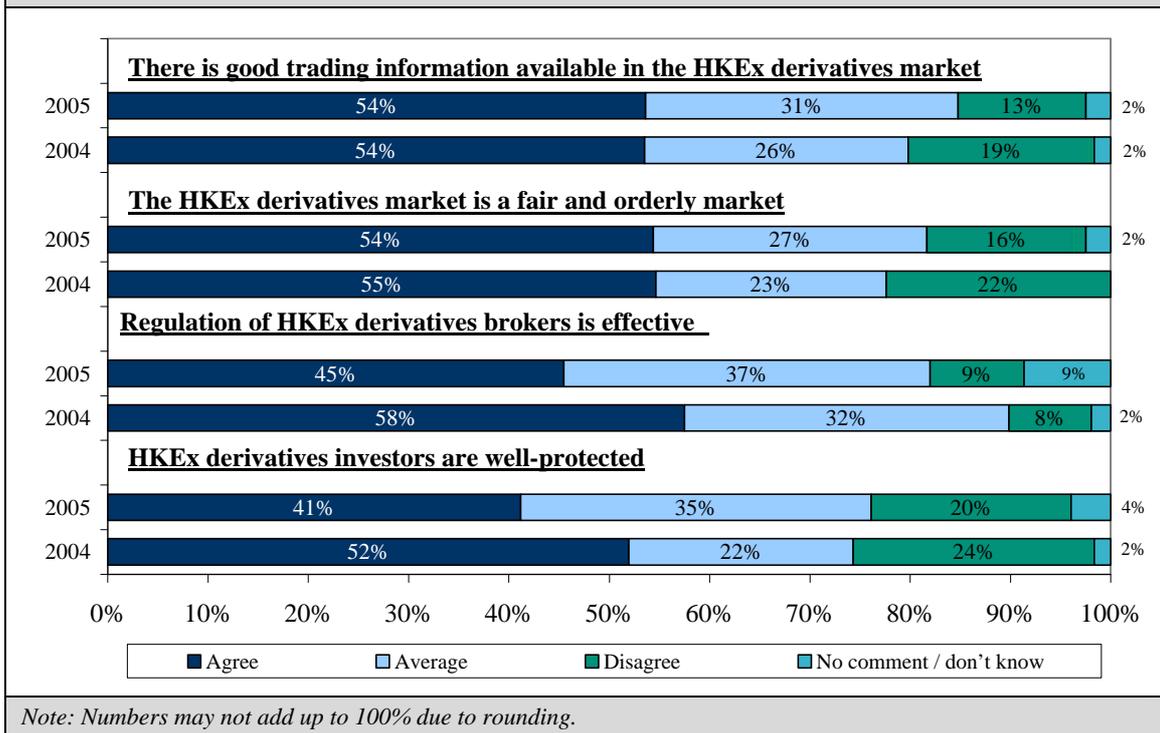


Figure 29. Perceptions of the effectiveness of broker regulation by investors trading through different channels

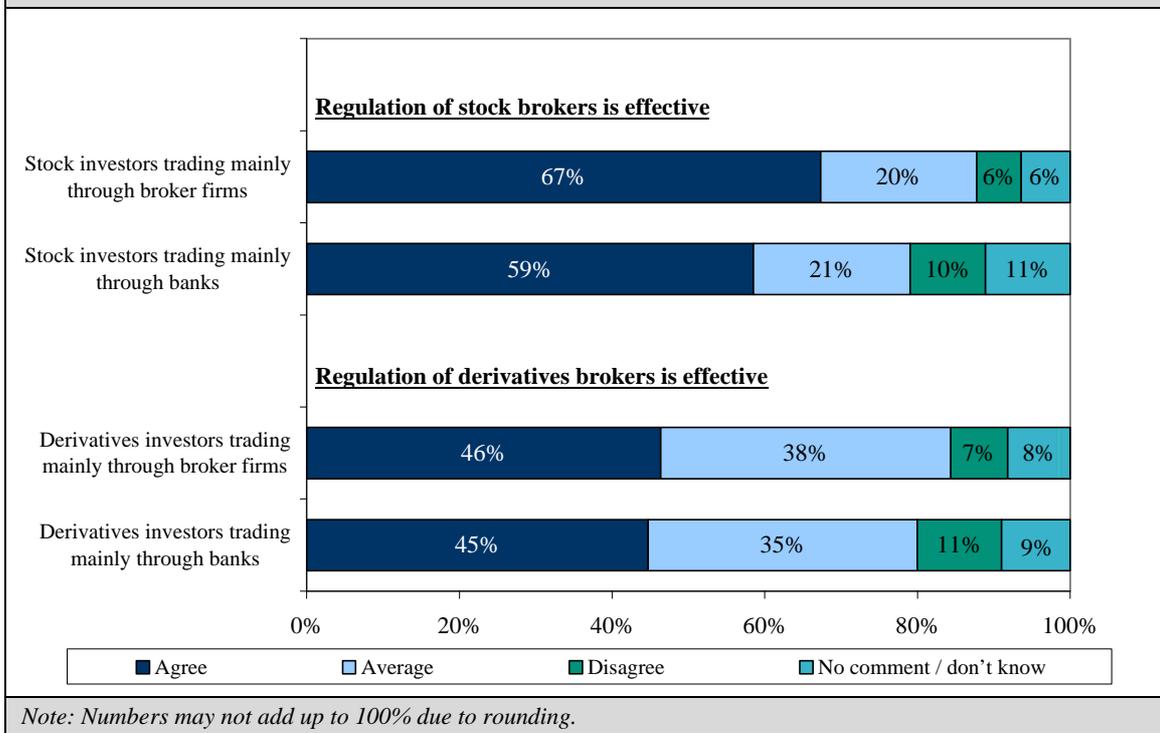
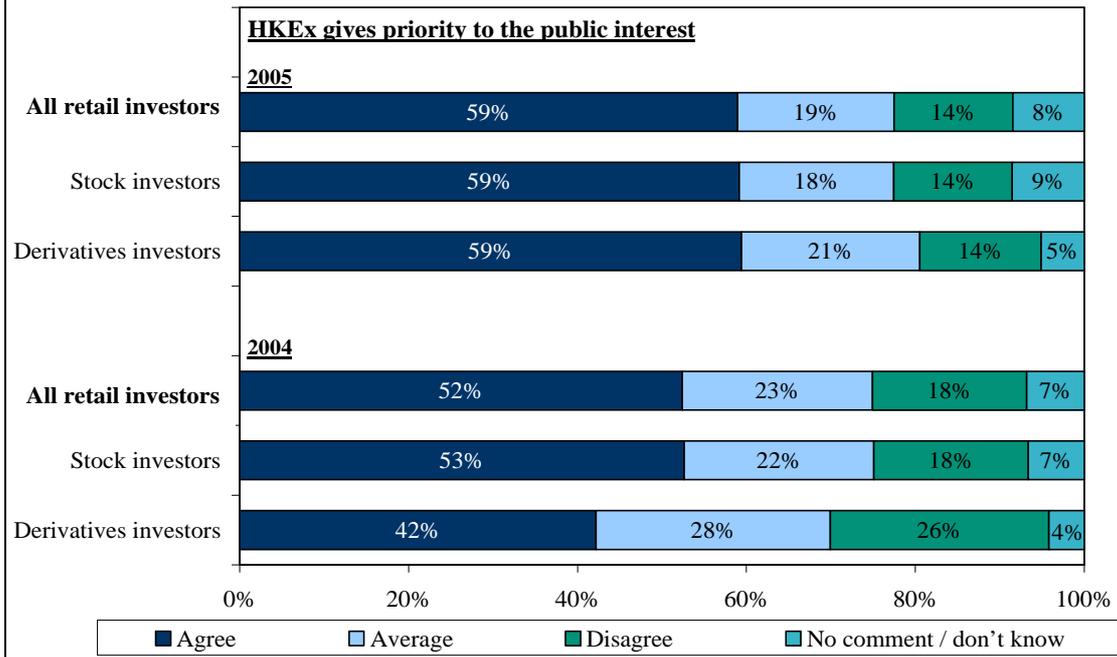


Figure 30. Perceptions of HKEx



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

GLOSSARY

<i>Stocks:</i>	Shares, warrants and Exchange Traded Funds (ETFs) and Real Estate Investment Trusts (REITs) 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 12 months preceding the interview.
<i>Non-trading stock investor:</i>	A stockowner who had not traded stocks in 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 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 interview or had traded derivatives in 12 months preceding the interview..
<i>Retail investor:</i>	An individual who is a stock investor and/or a derivatives investor.
<i>Stock-only investor:</i>	An individual who is a stock investor but not a derivatives investor.
<i>Derivatives-only investor:</i>	An individual who is a derivatives investor but not a stock investor.
<i>Stock-and-derivatives investor:</i>	An individual who is a stock investor and a derivatives investor.
<i>Online stock trader:</i>	A stock trader who had traded stocks in 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 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.

* Reflecting the nature of derivatives trading, all derivatives investors had traded derivatives in 12 months preceding the interview.

APPENDIX 1. SURVEY METHODOLOGY

(1) Methodology

The survey fieldwork was conducted in December 2005. 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 investors among the Hong Kong adult population. In this stage, 2,020 individuals were interviewed, of which 570 were stock investors and 49 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, 435 additional stock investors were interviewed; among them, 28 were also derivatives investors. In total, 2,455 individuals were interviewed, of which 1,005 were stock investors and 77 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 and value of trading.
- Respondents might intentionally not tell the truth on sensitive questions such as income level.
- Due to the terminology used in the survey questionnaire, some derivatives investors might have responded to certain questions based on their perceptions of the derivative warrants market.

(3) Comparability with past surveys

- The definition of “Hong Kong stocks” includes shares, warrants, Exchange Traded Funds (ETFs) since the 2001 survey and Real Estate Investment Trusts (REITs) in 2005. 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

Responded type	Number in responded sample ¹⁰
<i>Retail investors</i>	1010
<u>Stock investors</u>	1,005
<i>Stockowners</i>	951
<i>Stock-only investors</i>	933
<i>Stock-and-derivatives investors</i>	72
<i>Stock traders</i>	827
<i>Online stock traders</i>	314
<u>Derivatives investors</u>	77
<i>Derivatives-only investors</i>	5
<i>Stock-and-derivatives investors</i>	72
<i>Derivatives traders</i>	77
<i>Online derivatives traders</i>	30
<i>Non-investors</i>	1,445
<i>Total sample</i>	2,455

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.

APPENDIX 3. PRECISION OF SURVEY FINDINGS

Table A. Relative errors of the proportion of the various investor types			
Investor type	Proportion	Relative error¹¹	95% confidence interval
<i>Among adult population</i>			
Stock investors	28.6%	3.2%	26.8% – 30.3%
Stockowners	27.0%	3.3%	25.3% – 28.8%
Stock-only investors	26.4%	3.4%	24.7% – 28.2%
Stock-and-derivatives investors	2.1%	13.7%	1.6% – 2.7%
Stock traders	23.6%	3.6%	21.9% – 25.2%
Derivatives investors	2.4%	12.9%	1.8% – 3.0%
<i>Among stock / derivatives investors</i>			
Online stock traders	31.8%	4.6%	28.9% – 34.6%
Online derivatives traders	37.4%	15.4%	26.1% – 48.8%

Table B. Relative errors of the projected number of the various investor types			
Investor type	Estimated population ('000)	Relative error¹¹	95% confidence interval ('000)
<i>Stock investors</i>			
Stock investors	1,618	3.2%	1,516 – 1,719
Stockowners	1,531	3.3%	1,432 – 1,631
Stock-only investors	1,497	3.4%	1,398 – 1,596
Stock-and-derivatives investors	121	13.7%	88 – 153
Stock traders	1,335	3.6%	1,240 – 1,430
Online stock traders	514	4.6%	467 – 560
<i>Derivatives investors</i>			
Derivatives investors	135	12.9%	100 – 169
Online derivatives traders	50	15.4%	35 – 66

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

Table C. Relative errors of the projected number of the stock traders by trading channel			
Type of trading channel	Estimated adult population ('000)	Relative error¹²	95% confidence interval ('000)
<i>Mainly through banks</i>	855	2.6%	812 – 899
- banks only	789	2.9%	744 – 834
- usually through banks	66	15.2%	47 – 86
<i>Mainly through broker firms</i>	480	4.6%	436 – 523
- broker firms only	411	5.2%	369 – 453
- usually through broker firms	69	14.9%	49 – 89

Table D. Relative errors of the projected number of the derivatives traders by trading channel			
Type of trading channel	Estimated adult population ('000)	Relative error¹²	95% confidence interval ('000)
<i>Mainly through banks</i>	72	10.6%	57 – 87
- banks only	65	11.7%	50 – 80
- usually through banks	7	50.1%	0.1 – 13
<i>Mainly through broker firms</i>	63	12.2%	48 – 78
- broker firms only	55	13.6%	41 – 70
- usually through broker firms	7	47.7%	0.5 – 14

***** End *****

¹² The relative errors were derived by assuming simple random sampling.