

Research & Corporate Development

RETAIL INVESTOR SURVEY 2009

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Hong Kong Exchanges and Clearing Limited
香港交易及結算所有限公司

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1. 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 previous survey was conducted in 2007. The latest survey, Retail Investor Survey 2009, was conducted from 13 November to 23 December 2009. The terms “Dec 2009” or “2009” are used in contexts, tables and charts for easy reference only. *(Caution is needed in interpreting the findings on derivatives investors because of their small sample size.)*

Retail participation

- 35.1% of the Hong Kong adult population (or 2,069,000 individuals) were retail investors in stocks (ie securities market products) and/or derivatives (ie futures and options) traded on HKEx.
- The number of retail stock investors reached 2,059,000 in 2009, the highest record level. The participation rate was 35.0% of the adult population, compared to 35.7% in 2007.
- Stockowners reached the highest level in 2009, both in number (1,917,000) and in percentage (32.6%) of the adult population.
- Retail participation in the HKEx derivatives (ie futures and options) market remained low. Only 1.3% of the adult population (or 75,000 individuals) were derivatives investors, compared to 1.6% in 2007.
- Among all stock investors:
 - 97% invested only in stocks, only 3% also invested in derivatives;
 - almost all (98%) invested in equities and 24% invested in ETFs;
 - 10% invested in warrants (down from 20% in 2007), 7% invested in Callable Bull/Bear Contracts (CBBCs) (assessed for the first time in 2009), and together 12% invested in structured products (ie warrants and/or CBBCs);
 - 15% held stocks but did not trade during the 12 months preceding the interview (compared to 14% in 2007), ie 85% were stock traders.
- Among derivatives investors, 86% invested also in stocks and 14% invested only in derivatives (up from 3% in 2007).

Investor profile

- The typical Hong Kong retail stock investor was 45 years old, with matriculation or above education, a monthly personal income of about HK\$16,250 and a monthly household income of about HK\$35,000.
- The typical Hong Kong retail derivatives investor was 40 years old, with matriculation or above education, a monthly personal income of about HK\$27,500 and a monthly household income of about HK\$45,000.
- Compared with stock investors, derivatives investors comprised a larger proportion of males, younger individuals and individuals of higher work status and higher monthly personal and household income.
- Compared with investors in equities, warrants or ETFs, CBBC investors comprised a larger proportion of males (76.2%), younger individuals, individuals employed in the finance industry, and individuals of higher work status and higher monthly personal income.

Stockholding and trading pattern

- The median market value of stockholdings (holding of any HKEx cash market products) among all stock investors was HK\$100,000, the same as in 2007. Stock-and-derivatives investors, ETF investors, warrant investors and CBBC investors tended to have a relatively larger stockholding value (medians of HK\$250,000, HK\$200,000, HK\$150,000 and HK\$150,000 respectively).
- The median number and value of listed company shareholdings among all stock investors was 3 and HK\$100,000 respectively. About 76% of stockowners held only listed company shares in their stock portfolio.
- Among shareowners only, the median number and value of listed company shareholdings was 4 and HK\$120,000 respectively. About 78% of shareowners held only listed company shares in their stock portfolio.
- The trading pattern of stock investors in 2009 was similar to that in 2007 — the median number of stock transactions was 10 and the median average value per stock transaction was HK\$35,000, the same as in 2007. The median implied total stock transaction value per stock trader in the 12-month period in 2009 was HK\$468,000, close to the HK\$500,000 in 2007.
- Warrant/CBBC investors (who invested in warrants or CBBCs or both) and ETF investors tended to trade more frequently in the stock market and have a larger deal size than equity investors.
- Broadly speaking, the higher the value of stocks held by a stock investor, the more frequently he/she tended to trade and the larger his/her deal size.
- The trading pattern of derivatives investors in 2009 was similar to that in 2007 — the median number of derivatives transactions was 10 while the median average contract volume per derivatives transaction was 2. However, the median implied total contract volume per derivatives trader in the 12-month period in 2009 (25 contracts) was lower than in 2007 (40 contracts).

Trading channels

- Banks continued to be the main stock trading channel used by stock investors in 2009 — 74% of stock traders traded mainly through banks (up from 69% in 2007) and 70% solely through banks (up from 63% in 2007).
- Warrant/CBBC investors had higher usage of broker firms (35% traded mainly through broker firms) than equity investors (26%) and ETF investors (25%).
- Compared with non-online stock traders, a larger proportion of online stock traders traded through banks only (77% vs 55%).
- Compared with stock traders who traded mainly through broker firms, those who traded mainly through banks comprised a larger proportion of females and younger individuals. On the other hand, those who traded mainly through broker firms tended to have a higher stockholding value and a higher trading frequency.
- The majority of derivatives traders traded mainly through broker firms (52%, compared to 55% in 2007). However, only 44% traded solely through broker firms (vs 49% in 2007) while 48% traded solely through banks (vs 37% in 2007).

Online traders

- The uptrends for online stock traders and online derivatives traders continued in 2009 and reached their highest levels — 67% of stock traders were online stock traders and 69% of derivatives traders were online derivatives traders. The majority of online stock or derivatives traders traded online all the time.
- Compared with non-online stock traders, the typical online stock trader was younger, with higher education level and higher work status. Online stock traders tended to have a larger stockholding value, a higher stock trading frequency and a higher implied total stock transaction value in the 12-month period.

Perceptions of the HKEx markets

- Stock investors were generally positive about the various aspects of the Hong Kong stock market. They were most positive about “trading information available in the Hong Kong stock market” and least positive about “effective regulation of insider trading”.
- Derivatives investors were generally positive about the various aspects of the HKEx derivatives market. They were most positive about “good trading information available in Hong Kong derivatives market” and least positive about “effective regulation of derivatives brokers”.
- Retail investors were generally positive about the attribute “HKEx gives priority to the public interest”.

2. INTRODUCTION

The Retail Investor Survey (RIS) has been conducted periodically since 1989.¹ As in prior years, the 2009 survey (RIS2009) was conducted by a market research company on behalf of HKEx.

The objectives of RIS2009 are to assess:

- the incidence of retail participation in the HKEx securities and derivatives markets and the socio-economic profiles of various types of retail investors and non-investors;
- retail investors' portfolio holding (total holding value of securities market products and number and value of listed company shareholdings);
- retail investors' trading pattern and incidence of online trading;
- retail investors' trading channels; and
- retail investors' perception of the various aspects of the HKEx stock and derivatives markets.

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.

¹ Before 2000, it was conducted by the Stock Exchange of Hong Kong (SEHK), now a wholly-owned subsidiary of HKEx.

3. RETAIL PARTICIPATION

3.1 Types of investor²

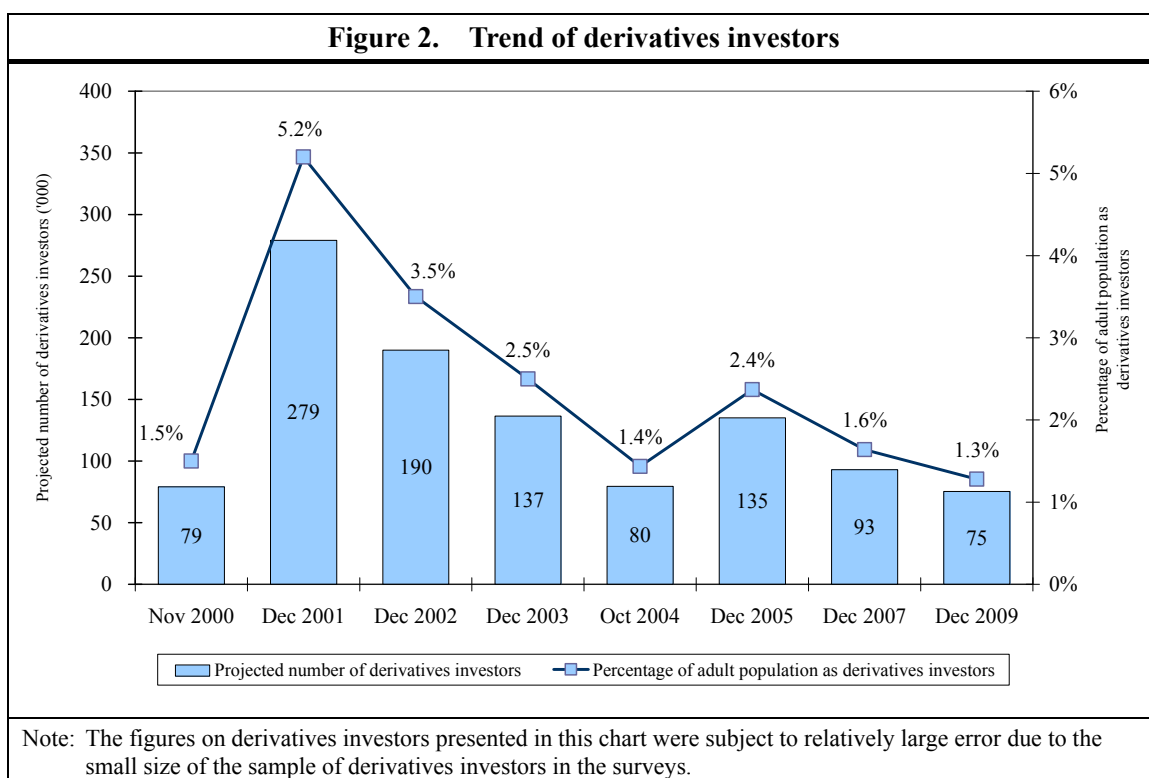
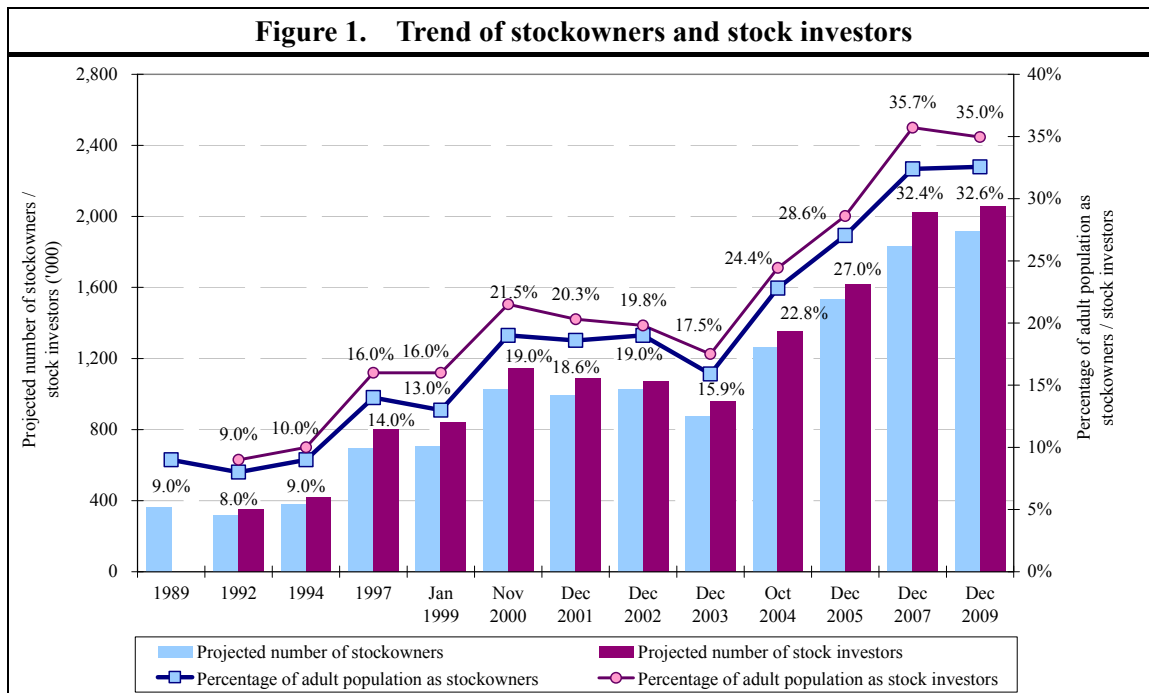
- In December 2009, 35.1% of the Hong Kong adult population (or 2,069,000 individuals) were retail investors in stocks (ie securities market products) and/or derivatives (ie futures and options) traded on HKEx.
- In terms of number, stock investors reached 2,059,000 individuals in December 2009, the highest level since the survey started in 1989, representing 35.0% of the adult population in 2009, similar to the 35.7% in 2007. Among them, 85% (1,747,000 or 29.7% of the adult population) were stock traders.
- Stockowners reached the highest level in 2009, both in number (1,917,000) and in percentage (32.6%) of the adult population.
- Retail participation in the HKEx derivatives (ie futures and options) market remained low. Only 1.3% of the adult population (or 75,000 individuals) were derivatives investors.
- Retail participation in the Mainland China stock markets and other overseas stock markets remained low in 2009 (both about 3%). Retail participation in overseas derivatives market was also low at less than 1%.

	Projected number of individuals ('000)	Percentage of Hong Kong adult population
<i>Retail investors</i>	2,069	35.1%
Stock investors	2,059	35.0%
Stockowners	1,917	32.6%
Stock traders	1,747	29.7%
Derivatives investors	75	1.3%
<i>Non-investors</i>	3,821	64.9%
Total	5,890	100.0%

	Percentage of Hong Kong adult population	
	Dec 2007	Dec 2009
Stocks or derivatives traded on HKEx	35.8%	35.1%
Stocks traded on Mainland China markets	5.6%	2.8%
Stocks traded on overseas markets other than Mainland China	4.4%	3.1%
Derivative products traded on overseas markets (including Mainland China)	0.9%	0.5%

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

² See Glossary for definitions.



3.2 Types of stock investor and derivatives investor

- The great majority of stock investors (96.8%) invested only in stocks³ (stock-only investors) and only 3.2% invested also in derivatives (stock-and-derivatives investors).

³ Refer to all cash market products on HKEx.

- Almost all stock investors invested in equities (98.1%), and 67.5% invested only in equities and not warrants, Callable Bull/Bear Contracts (CBBCs) or Exchange Traded Funds (ETFs).
- Assessed for the first time in 2009, 7.0% of stock investors invested in CBBCs. 10.2% of stock investors invested in warrants, compared to about 20% in 2007. Totally 12.1% of stock investors invested in structured products, ie warrants and/or CBBCs. Most of the CBBC investors (72.9%) also invested in warrants; conversely only 50.2% of warrant investors also invested in CBBCs.
- In 2009, 24.4% of stock investors invested in ETFs, compared to about 22% in 2007. Among ETF investors, 93.7% also invested in equities; conversely, 23.4% of equity investors also invested in ETFs.
- In 2009, the proportion of stock investors who did not trade during the 12-month period was 15.1%, compared to 14.3% in 2007.
- Among derivatives investors, the proportion invested only in derivatives but not stocks significantly increased from 3.0% in 2007 to 13.5% in 2009.

	As percentage of stock investors (%)				
	Dec 2003	Oct 2004	Dec 2005	Dec 2007	Dec 2009
<i>By stocks/derivatives invested</i>					
Stock-only investors	86.0	94.6	92.5	95.5	96.8
Stock-and-derivatives investors	14.0	5.4	7.5	4.5	3.2
<i>By cash market product invested</i>					
Equity investors	–	–	–	97.9	98.1
Equity-only stock investors	–	–	–	63.4	67.5
Warrant/CBBC investors	–	–	–	–	12.1
Warrant investors	–	–	–	19.9	10.2
Warrant-only stock investors	–	–	–	0.7	0.1
CBBC investors	–	–	–	–	7.0
CBBC-only stock investors	–	–	–	–	0.2
ETF investors	–	–	–	21.9	24.4
ETF-only stock investors	–	–	–	1.3	1.5
<i>By trading status</i>					
Stock traders	70.4	71.9	82.5	85.7	84.9
Non-trading stock investors	29.6	28.1	17.5	14.3	15.1
“–”: Not available.					

	As percentage of derivatives investors (%)				
	Dec 2003	Oct 2004	Dec 2005	Dec 2007	Dec 2009
Derivatives-only investors	1.9	7.4	10.3	3.0	13.5
Stock-and-derivatives investors	98.1	92.6	89.7	97.0	86.5
Note: Reflecting the nature of derivatives trading, all derivatives investors had derivatives transactions during the past 12 months at the time of the interview, i.e. all are derivatives traders.					

4. INVESTOR PROFILE

4.1 Profile of stock investors

- The typical Hong Kong *retail stock investor* was 45 years old, with matriculation or above education, a monthly personal income of about HK\$16,250 and a monthly household income of about HK\$35,000.
- In comparison to the Hong Kong adult population and non-investors, stock investors comprised a larger proportion of males, individuals who received tertiary or above education, individuals employed in the finance industry or professional/business services and individuals of higher work status, higher monthly personal income and monthly household income.

4.2 Profile of equity, warrant, CBBC and ETF investors⁴

- The typical *equity investor* was 45 years old, with matriculation or above education, a monthly personal income of about HK\$16,250 and a monthly household income of about HK\$35,000.
- The typical *warrant investor* was 41 years old, with matriculation or above education, a monthly personal income of about HK\$16,250 and a monthly household income of about HK\$35,000. Compared with equity investors and ETF investors, warrant investors comprised a larger proportion of males (65%), younger individuals and individuals employed in the finance industry.
- The typical *CBBC investor* was 40 years old, with tertiary or above education, a monthly personal income of about HK\$18,750 and a monthly household income of about HK\$35,000. Compared with investors in equities, warrants or ETFs, CBBC investors comprised a larger proportion of males (76.2%), younger individuals, individuals employed in the finance industry, and individuals of higher work status and higher monthly personal income.
- The typical *ETF investor* was 47 years old, with matriculation or above education, a monthly personal income of about HK\$16,250 and a monthly household income of about HK\$35,000. Compared with investors in equities, warrants and CBBCs, ETF investors comprised a larger proportion of older people (40% aged 50 or above).

4.3 Profile of derivatives investors

- The typical Hong Kong *retail derivatives investor* was 40 years old, with matriculation or above education, a monthly personal income of about HK\$27,500 and a monthly household income of about HK\$45,000.
- Compared with the Hong Kong adult population and with stock investors and non-investors, derivatives investors comprised a larger proportion of males (67.8%), young individuals (46% aged below 40) and individuals of higher work status and higher monthly personal and household income.

Note: All the findings on derivatives investors are subject to relatively large error due to the small sample of derivatives investors. Therefore, caution is needed in interpreting the findings on derivatives investors.

⁴ See survey limitations in Appendix 1.

Table 5. Profile of different investor types (2009)

	Adult population	Stock investors	Stock traders	Derivatives investors	Non-investors
Sex					
Male	46.2%	53.4%	54.6%	67.8%	42.3%
Female	53.8%	46.6%	45.4%	32.2%	57.7%
Age					
18 – 19	3.0%	0.4%	0.5%	2.5%	4.3%
20 – 29	16.1%	11.6%	12.0%	2.5%	18.6%
30 – 39	18.7%	21.2%	22.7%	41.0%	17.4%
40 – 49	22.0%	29.6%	29.2%	33.3%	18.0%
50 – 59	18.7%	21.7%	21.5%	9.5%	17.0%
60 or over	21.5%	15.4%	14.1%	11.3%	24.8%
Median	45	45	44	40	45
Education level					
No schooling / kindergarten	5.5%	1.3%	1.4%	2.6%	7.8%
Primary	15.4%	8.0%	7.1%	2.8%	19.4%
Lower secondary	12.6%	10.1%	10.3%	3.5%	14.1%
Upper secondary	30.1%	29.3%	28.2%	30.3%	30.5%
Matriculation	7.1%	8.3%	7.9%	13.8%	6.5%
Tertiary or above	28.4%	42.5%	44.5%	44.4%	20.9%
Refusals	0.7%	0.5%	0.6%	2.6%	0.8%
Occupation					
Managers / administrators / professionals	15.3%	25.7%	25.9%	38.7%	9.7%
White collar	20.3%	22.1%	23.6%	18.7%	19.4%
Blue collar	20.0%	16.9%	16.6%	13.3%	21.6%
Homemakers	16.1%	13.3%	11.8%	2.8%	17.7%
Retirees	17.3%	15.3%	14.8%	13.5%	18.4%
Students	5.1%	1.5%	1.5%	0.0%	7.0%
Unemployed persons	4.6%	3.6%	3.9%	8.0%	5.1%
Refusals	1.4%	1.8%	2.0%	5.0%	1.1%
Industry of employed persons*					
Manufacturing	9.2%	10.5%	10.8%	14.7%	8.4%
Construction	8.0%	7.6%	7.2%	0.0%	8.2%
Wholesale, retail, import/export trades, restaurants and hotels	27.4%	23.3%	23.7%	28.4%	30.2%
Transport, storage, courier and communication	12.2%	11.9%	11.4%	14.7%	12.4%
Financing and insurance	9.3%	13.0%	13.8%	7.3%	6.7%
Professional and business services	7.9%	10.3%	9.9%	13.6%	6.3%
Social and personal services	19.2%	16.0%	15.8%	14.7%	21.4%
Others	5.5%	6.3%	6.2%	0.0%	5.0%
Refusals	1.3%	1.3%	1.2%	6.6%	1.3%
Median monthly personal income (HK\$)*	9,500	16,250	16,250	27,500	7,500
Median monthly household income (HK\$)	22,500	35,000	35,000	45,000	16,250

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

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

Table 6. Profile of different investor types by selected cash market products (2009)

	Stock investors	Equity investors	Warrant investors	CBBC investors	ETF investors
Sex					
Male	53.4%	53.6%	65.3%	76.2%	54.5%
Female	46.6%	46.4%	34.7%	23.8%	45.5%
Age					
18 – 19	0.4%	0.5%	0.9%	0.0%	0.4%
20 – 29	11.6%	11.4%	13.7%	18.6%	9.2%
30 – 39	21.2%	21.2%	23.0%	26.4%	18.0%
40 – 49	29.6%	29.9%	36.4%	39.7%	32.1%
50 – 59	21.7%	21.7%	14.3%	12.5%	22.7%
60 or over	15.4%	15.3%	11.7%	2.8%	17.5%
Median	45	45	41	40	47
Education level					
No schooling / kindergarten	1.3%	1.3%	1.9%	2.8%	1.1%
Primary	8.0%	8.1%	5.6%	2.6%	6.1%
Lower secondary	10.1%	9.8%	10.3%	8.8%	7.3%
Upper secondary	29.3%	29.0%	29.2%	24.4%	31.3%
Matriculation	8.3%	8.5%	6.8%	2.6%	4.9%
Tertiary or above	42.5%	42.9%	44.3%	56.1%	48.5%
Refusals	0.5%	0.5%	1.9%	2.7%	0.8%
Occupation					
Managers / administrators / professionals	25.7%	25.8%	28.1%	36.3%	30.8%
White collar	22.1%	22.3%	26.6%	24.3%	16.3%
Blue collar	16.9%	16.8%	19.0%	19.9%	15.3%
Homemakers	13.3%	13.1%	7.9%	5.4%	14.5%
Retirees	15.3%	15.3%	10.9%	5.7%	17.8%
Students	1.5%	1.5%	1.8%	1.3%	0.4%
Unemployed persons	3.6%	3.4%	3.6%	2.8%	3.0%
Refusals	1.8%	1.8%	2.1%	4.4%	1.9%
Industry of employed persons*					
Manufacturing	10.5%	10.6%	11.9%	12.3%	10.0%
Construction	7.6%	7.7%	8.4%	8.9%	2.6%
Wholesale, retail, import/export trades, restaurants and hotels	23.3%	23.3%	32.4%	25.2%	23.3%
Transport, storage, courier and communication	11.9%	11.4%	4.5%	10.6%	11.5%
Financing and insurance	13.0%	13.0%	20.7%	24.1%	16.1%
Professional and business services	10.3%	10.2%	8.9%	7.9%	9.8%
Social and personal services	16.0%	16.0%	6.6%	6.3%	16.8%
Others	6.3%	6.4%	5.4%	1.6%	8.2%
Refusals	1.3%	1.3%	1.2%	3.1%	1.7%
Median monthly personal income (HK\$)*	16,250	16,250	16,250	18,750	16,250
Median monthly household income (HK\$)	35,000	35,000	35,000	35,000	35,000

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

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

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.

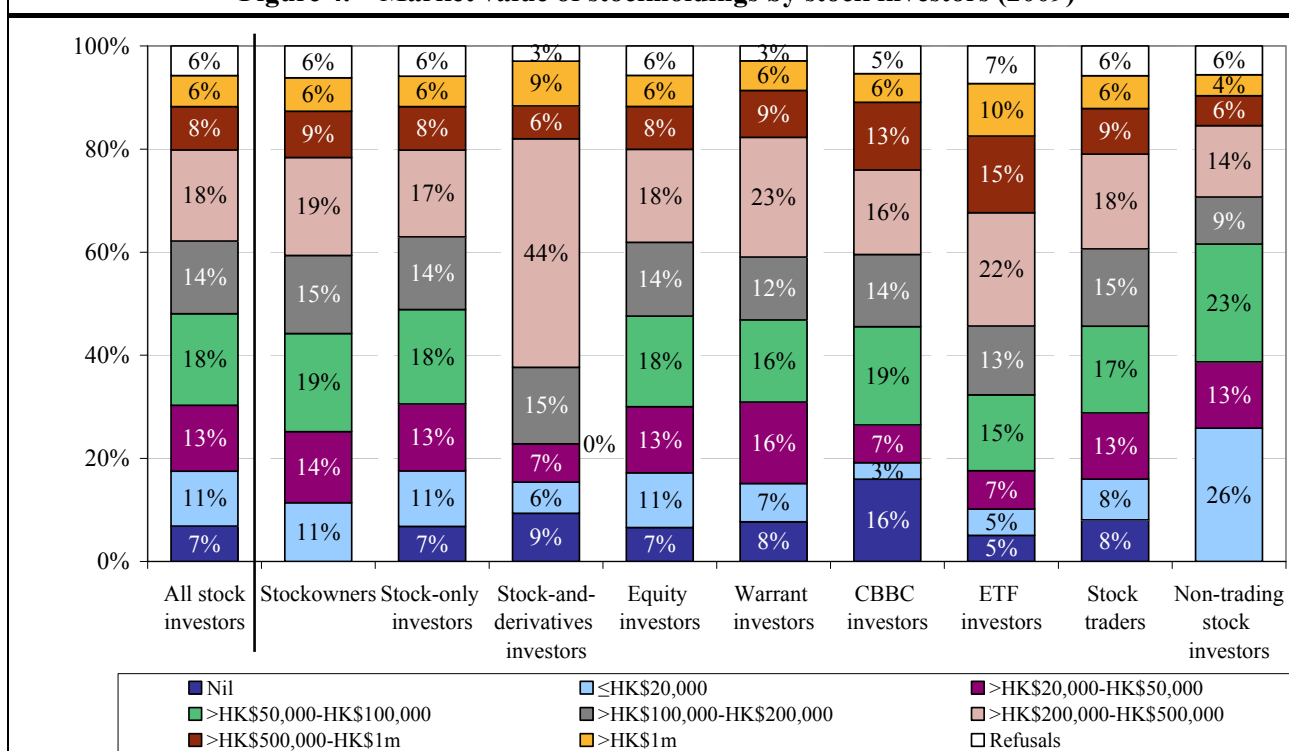
Note: Percentages may not add up to 100% due to rounding.

5. STOCKHOLDING AND TRADING PATTERN

5.1 Stockholding⁵ value of stock investors

- The median market value of stockholdings among all stock investors (including non-stockowners) was HK\$100,000 and that among all stockowners was HK\$150,000, the same as in 2007.
- Stock-and-derivatives investors tended to have a larger stockholding value than stock-only investors (a median of HK\$250,000 vs HK\$100,000).
- ETF investors, warrant investors and CBBC investors tended to have a relatively larger stockholding value (a median of HK\$200,000 for ETF investors and HK\$150,000 for warrant investors and CBBC investors) than equity investors (HK\$100,000).
- Compared with stock traders, non-trading stock investors (stock investors who did not trade during the 12-month period) tended to have a smaller stockholding value — a median of HK\$95,000 vs HK\$130,000.

Figure 4. Market value of stockholdings by stock investors (2009)



Median* (HK\$)	All stock investors	Stockowners	Stock-only investors	Stock-and-derivatives investors	Equity investors	Warrant investors	CBBC investors	ETF investors	Stock traders	Non-trading stock investors
2009	100,000	150,000	100,000	250,000	100,000	150,000	150,000	200,000	130,000	95,000
2007	100,000	150,000	100,000	150,000	100,000	150,000	n.a.	150,000	100,000	50,000

* Excluding outliers.

n.a.: Not available

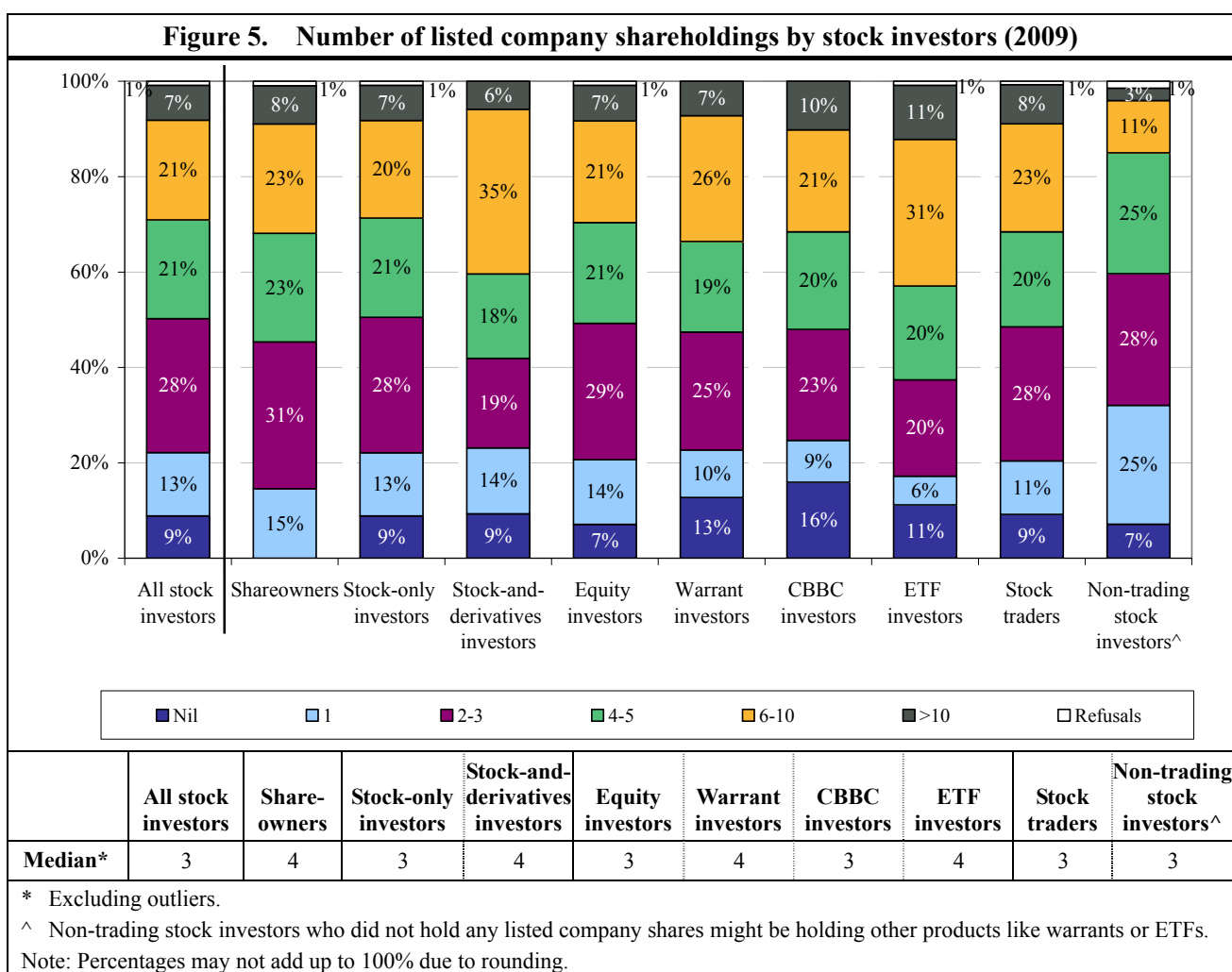
Note: Percentages may not add up to 100% due to rounding.

⁵ Stockholding refers to the holding of all HKEx cash market products at the time of the interview.

5.2 Listed company shareholdings⁶ of stock investors

5.2.1 Number of listed company shareholdings

- The median number of listed company shareholdings among all stock investors (including non-shareowners) was 3, and that among all shareowners was 4.
- The proportion of CBBC investors and warrant investors who did not hold any listed company shares was 16% and 13% respectively, higher than the 9% for stock investors as a whole.
- ETF investors tended to have a larger number of listed company shareholdings than stock investors as a whole (a median of 4 vs 3, and 42% of ETF investors held more than 5 listed company stocks vs 28% for stock investors).
- Stock-and-derivatives investors tended to have a larger number of listed company shareholdings than stock-only investors (a median of 4 vs 3, and 41% of stock-and-derivatives investors held more than 5 listed company stocks vs 28% for stock-only investors).

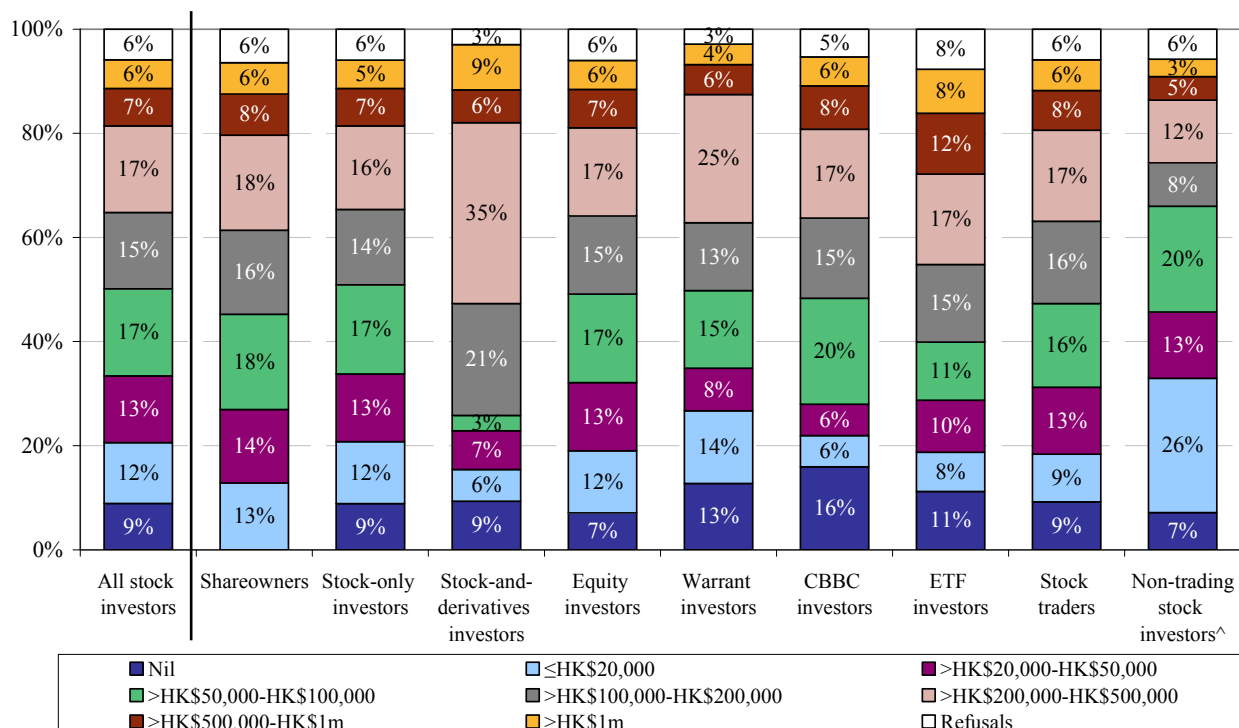


⁶ Listed company shareholding refers to the holding, at the time of the interview, of listed company shares traded on HKEx.

5.2.2 Market value of listed company shareholdings of stock investors

- About 76% of stockowners and 78% of shareowners held only listed company shares in their stock portfolio⁷.
- The median market value of listed company shareholdings among all stock investors (including non-shareowners) was HK\$100,000, and that among shareowners was HK\$120,000.
- Stock-and-derivatives investors tended to have a much larger listed company shareholding value (a median of HK\$210,000) than stock-only investors. ETF investors tended to have a slightly larger listed company shareholding value (a median of HK\$125,000) than investors in equities, warrants or CBBCs.

Figure 6. Market value of listed company shareholdings by stock investors (2009)



	All stock investors	Share-owners	Stock-only investors	Stock-and-derivatives investors	Equity investors	Warrant investors	CBBC investors	ETF investors	Stock traders	Non-trading stock investors [^]
Median* (HK\$)	100,000	120,000	100,000	210,000	100,000	100,000	100,000	125,000	100,000	55,000

* Excluding outliers.

[^] Non-trading stock investors who did not hold any listed company shares might be holding other products like warrants or ETFs.

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

⁷ Stock portfolio refers to the portfolio of stockholding, ie the holding of all HKEx cash market products.

5.3 Trading pattern of stock investors

- The trading pattern of *stock investors* in 2009 was similar to that in 2007:
 - The proportion of stock investors who did not trade at all in the 12-month period was 15% in 2009, compared to 14% in 2007.
 - The median number of stock transactions (buying and selling were counted as two transactions) for all stock investors was 10, the same level as in 2007.
 - The median average value per stock transaction was HK\$35,000 in 2009, the same level as in 2007.
 - The median implied total stock transaction value⁸ per stock trader in 2009 was HK\$468,000, compared to HK\$500,000 in 2007.

- Compared with stock-only investors, *stock-and-derivatives investors*:
 - Tended to trade stocks much more frequently (a median of 48 transactions in the 12-month period vs 10 transactions for stock-only investors) and all had traded stocks during the 12-month period (vs 16% of stock-only investors who did not trade at all);
 - Tended to have a higher average value per stock transaction (a median of HK\$40,000 vs HK\$35,000);
 - Tended to have a much higher implied total stock transaction value during the 12-month period (HK\$2.2 million vs HK\$0.4 million); and
 - In aggregate contributed 10% of total retail stock trading, compared to 90% by stock-only investors.

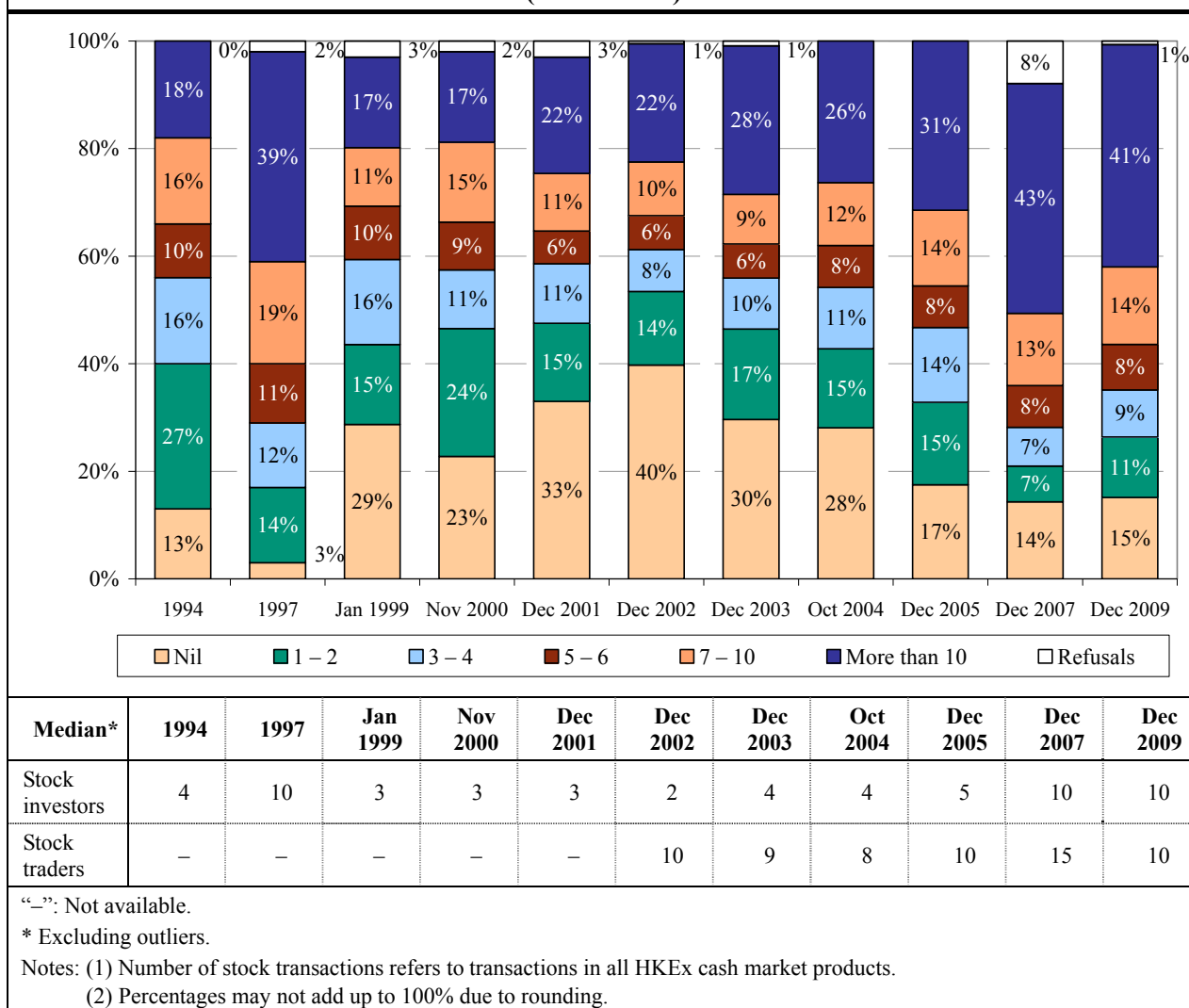
- Compared with equity investors, *warrant/CBBC investors* (who invested in warrants or CBBCs or both):
 - Tended to trade stocks more frequently (a median of 50 transactions in the 12-month period), even more so for CBBC investors alone (100 transactions) (vs 10 transactions for equity investors);
 - Tended to have a relatively higher average value per stock transaction (a median of HK\$40,000 vs HK\$35,000);
 - Tended to have a much larger implied total stock transaction value during the 12-month period (a median of HK\$2 million), even more so for CBBC investors alone (HK\$3 million) (vs HK\$0.5 million for equity investors); and
 - In aggregate, they contributed 35% of total retail stock trading.

- Compared with equity investors, *ETF investors*:
 - Tended to trade stocks more frequently (a median of 13 transactions in the 12-month period vs 10 transactions for equity investors);
 - Tended to have a relatively higher average value per stock transaction (a median of HK\$50,000 vs HK\$35,000) and a larger implied total stock transaction value during the 12-month period (a median of HK\$1 million vs HK\$0.5 million); and
 - In aggregate, they contributed 47% of total retail stock trading.

⁸ The implied total stock transaction value during the 12-month period for a respondent was calculated by multiplying the respondent's number of stock transactions by his/her average value per stock transaction. The figure is two-sided, ie both buy and sell sides for a transaction are counted. It must be borne in mind that the figure is subject to estimation error.

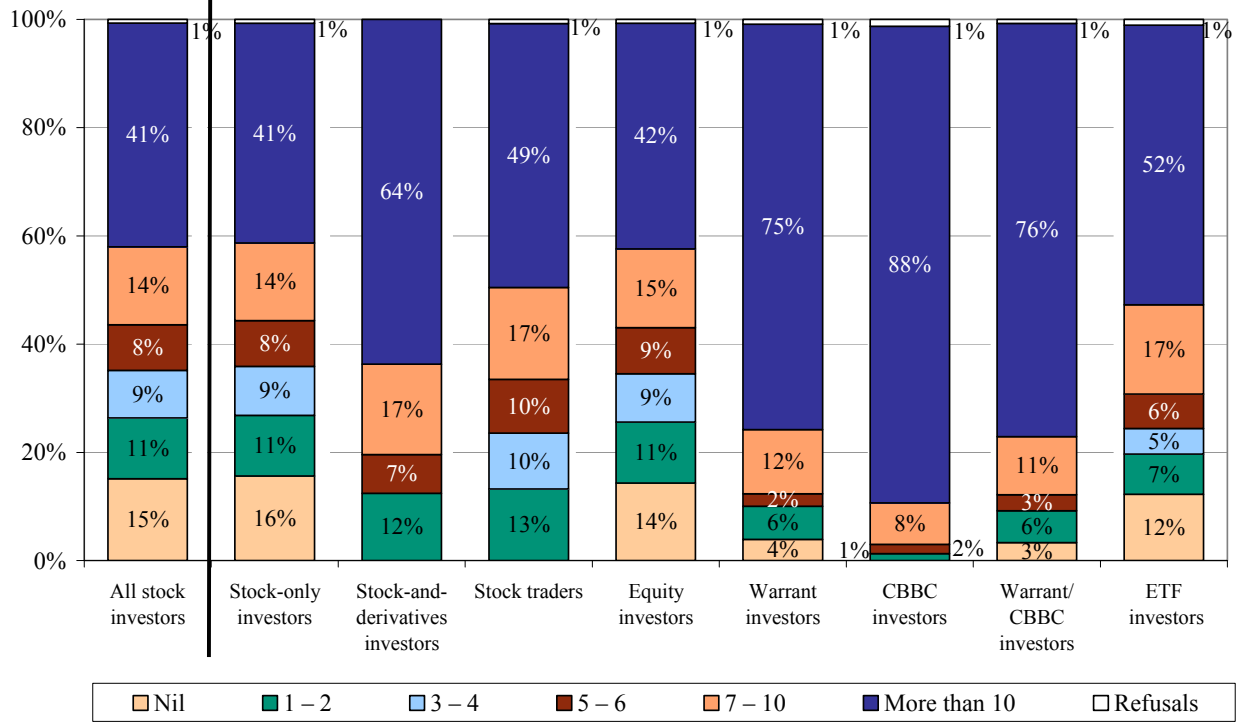
- Stock traders who traded more frequently tended to have a larger deal size and a larger implied total transaction value in the 12-month period. About half of all stock traders were high-frequency stock traders (with more than 10 transactions in the 12-month period)⁹ who contributed in aggregate 96% of all retail stock trading. This finding was similar to that obtained in the 2007 survey.

Figure 7. Number of stock transactions by stock investors in the past 12 months (1994 – 2009)



⁹ The classification of stock traders into low-, medium- and high-frequency of trading is judgmental. The current classification follows that used in past surveys for comparison purpose.

Figure 8. Number of stock transactions in the past 12 months by stock investor type (2009)



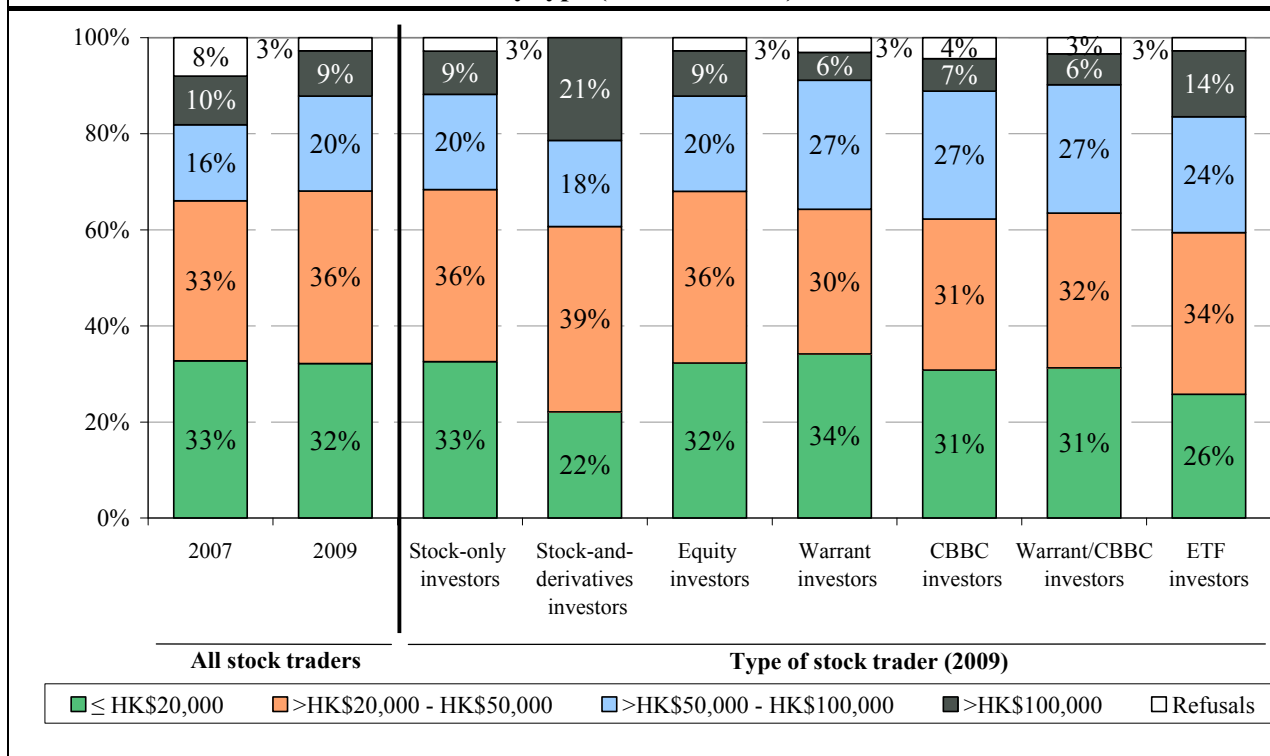
	All stock investors	Stock-only investors	Stock-and-derivatives investors	Stock traders	Equity investors	Warrant investors	CBBC investors	Warrant/CBBC investors	ETF investors
Median* (incl. non-trading investors)	10	10	48	10	10	50	100	50	13
Median* (excl. non-trading investors)	10	10	48	10	10	50	100	50	24

* Excluding outliers.

Notes: (1) Number of stock transactions refers to transactions in all HKEx cash market products.

(2) Percentages may not add up to 100% due to rounding.

Figure 9. Average value per stock transaction in the past 12 months of stock traders by type (2007 and 2009)



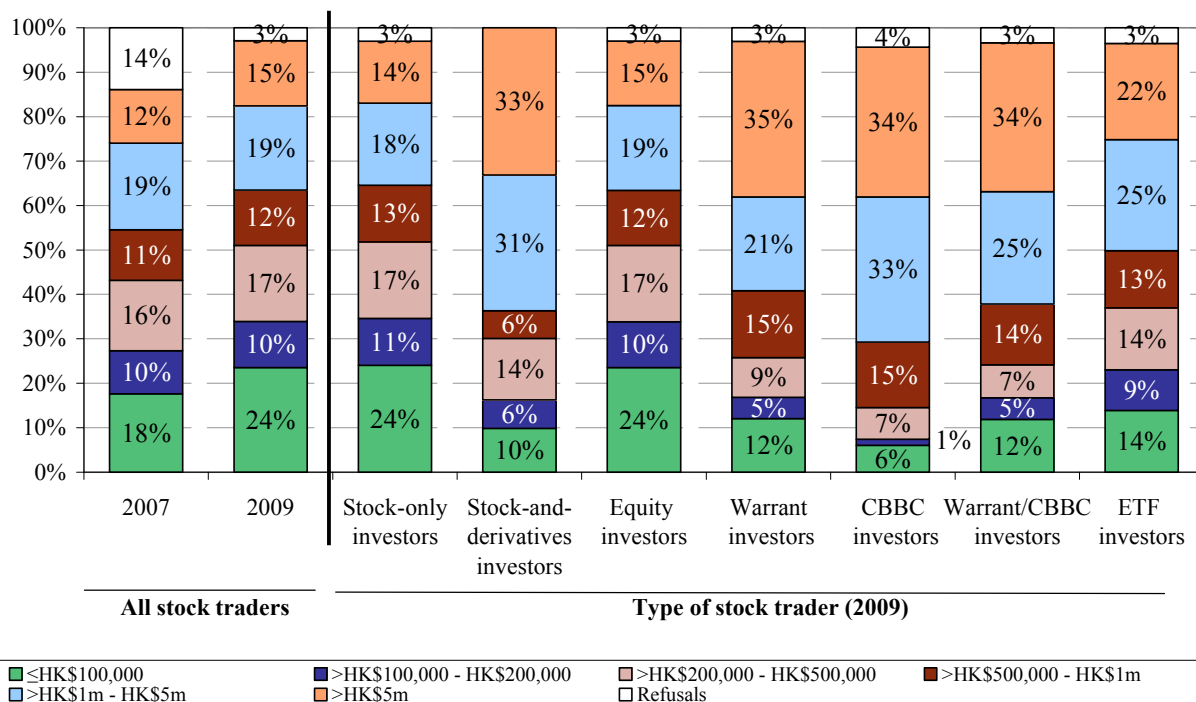
	All stock traders		Type of stock trader (2009)						
	2007	2009	Stock-only investors	Stock-and-derivatives investors	Equity investors	Warrant investors	CBBC investors	Warrant/CBBC investors	ETF investors
Median* (HK\$)	35,000	35,000	35,000	40,000	35,000	40,000	40,000	40,000	50,000

* Excluding outliers.

Notes: (1) The average value per stock transaction refers to transactions in all HKEx cash market products.

(2) Percentages may not add up to 100% due to rounding.

Figure 10. Implied total stock transaction value in the past 12 months of stock traders by type (2007 and 2009)



	All stock traders		Type of stock trader (2009)						
	2007	2009	Stock-only investors	Stock-and-derivatives investors	Equity investors	Warrant investors	CBBC investors	Warrant CBBC investors	ETF investors
Median*(HK\$)	500,000	468,000	400,000	2,160,000	468,000	1,700,000	3,000,000	2,000,000	1,000,000
Aggregate % share of total#	100%	100%	90%	10%	97%	33%	24%	35%	47%

* Excluding outliers.

The aggregate percentage share of the total transaction value by stock traders who are equity-, warrant-, CBBC- and ETF-investors do not add up to 100% because the investor types are not mutually exclusive to each other.

Notes: (1) Stock transaction value refers to transactions in all HKEx cash market products.

(2) Percentages may not add up to 100% due to rounding.

Table 7. Trading pattern of stock traders by trading frequency (2009)				
	All stock traders	By trading frequency		
		Low (1 – 4 times)	Medium (5 – 10 times)	High (>10 times)
<i>In the 12-month period preceding the interview</i>				
Number as % of all stock traders[#]	100.0%	23.6%	26.9%	48.7%
<i>Average value per stock transaction</i>				
≤ HK\$20,000	32.2%	42.9%	37.2%	24.7%
> HK\$100,000	9.4%	9.4%	5.5%	11.8%
Median* (HK\$'000)	35	30	30	40
<i>Implied total stock transaction value</i>				
≤ HK\$100,000	23.5%	65.2%	26.0%	2.4%
> HK\$1,000,000	33.6%	1.9%	4.4%	65.6%
Median* (HK\$'000)	468	60	250	2,000
<i>Aggregate implied total stock transaction value</i>				
As % of total by all stock traders	100.0%	0.9%	3.3%	95.8%
* Excluding outliers.				
[#] The percentage of low-, medium- and high-frequency stock traders did not add up to 100% due to refusal of some respondents to answer the question.				

5.4 Relationship between stockholding value and trading pattern of stock investors

- Broadly speaking, the higher the value of stocks held by a stock investor, the more frequently he/she tended to trade and the larger his/her deal size. Such relationship was significant in statistical terms, although at a low degree for relationship with number of transactions (rank correlation coefficient of 0.27) and a medium degree for relationship with deal size (rank correlation coefficient of 0.51).

Table 8. Number of stock transactions in the past 12 months by market value of stockholdings (2009)					
Value of stockholdings (HK\$)	Number of stock transactions				
	All stock investors			Stock traders	
	Mean*	Median*	% of nil transactions	Mean*	Median*
Nil	83.5	8	–	83.5	8
≤20,000	8.6	2	36.8%	13.8	4
>20,000 – 50,000	37.5	6	15.2%	44.2	10
>50,000 – 100,000	22.1	10	19.5%	27.4	10
>100,000 – 200,000	39.9	10	9.8%	44.3	10
>200,000 – 500,000	66.8	20	11.9%	75.9	24
>500,000 – 1,000,000	88.5	20	10.5%	98.8	25
>1,000,000	122.8	20	10.2%	137.6	24
Refusals	47.4	10	14.7%	56.1	25
Overall	50.2	10	15.1%	59.3	10
Correlation coefficient[#]					
Pearson correlation	0.064			0.061	
Rank correlation	0.268			0.289	
<p>“–”: Not applicable since by definition, a stock investor must have had stock transactions if he/she was not holding stocks.</p> <p>* Excluding outliers.</p> <p>[#] The correlation coefficients reflect the direction and the strength of association between market value of stockholdings (including nil) and number of stock transactions (including nil). The Pearson correlation is a parametric measure of the strength of linear dependence between the two variables. The rank correlation is a non-parametric measure of statistical dependence between the two variables. The correlations are significant at the 0.1% level (2-tailed).</p> <p>Note: Stockholdings and stock transactions are in respect of all HKEx cash market products.</p>					

Table 9. Stock transaction value by market value of stockholdings for stock traders (2009)

Value of stockholdings (HK\$)	Average value per stock transaction (HK\$)*		Implied total stock transaction value (HK\$)*		
	Mean	Median	Mean	Median	Aggregate % share
Nil	53,674	30,000	4,275,411	300,000	8.6%
≤20,000	19,027	10,000	242,695	48,000	0.5%
>20,000 – 50,000	25,559	20,000	1,381,207	150,000	4.4%
>50,000 – 100,000	33,257	30,000	1,000,204	300,000	4.3%
>100,000 – 200,000	49,439	50,000	2,174,823	400,000	8.2%
>200,000 – 500,000	72,711	50,000	5,881,954	1,200,000	27.1%
>500,000 – 1,000,000	131,902	100,000	10,863,289	2,000,000	23.7%
>1,000,000	159,689	100,000	13,692,814	2,400,000	19.3%
Refusals	47,554	30,000	4,064,959	1,000,000	4.0%
Overall	59,617	35,000	4,113,648	468,000	100.0%
Correlation coefficient[#]					
Pearson correlation	0.237		0.280		
Rank correlation	0.508		0.474		

* Excluding outliers.

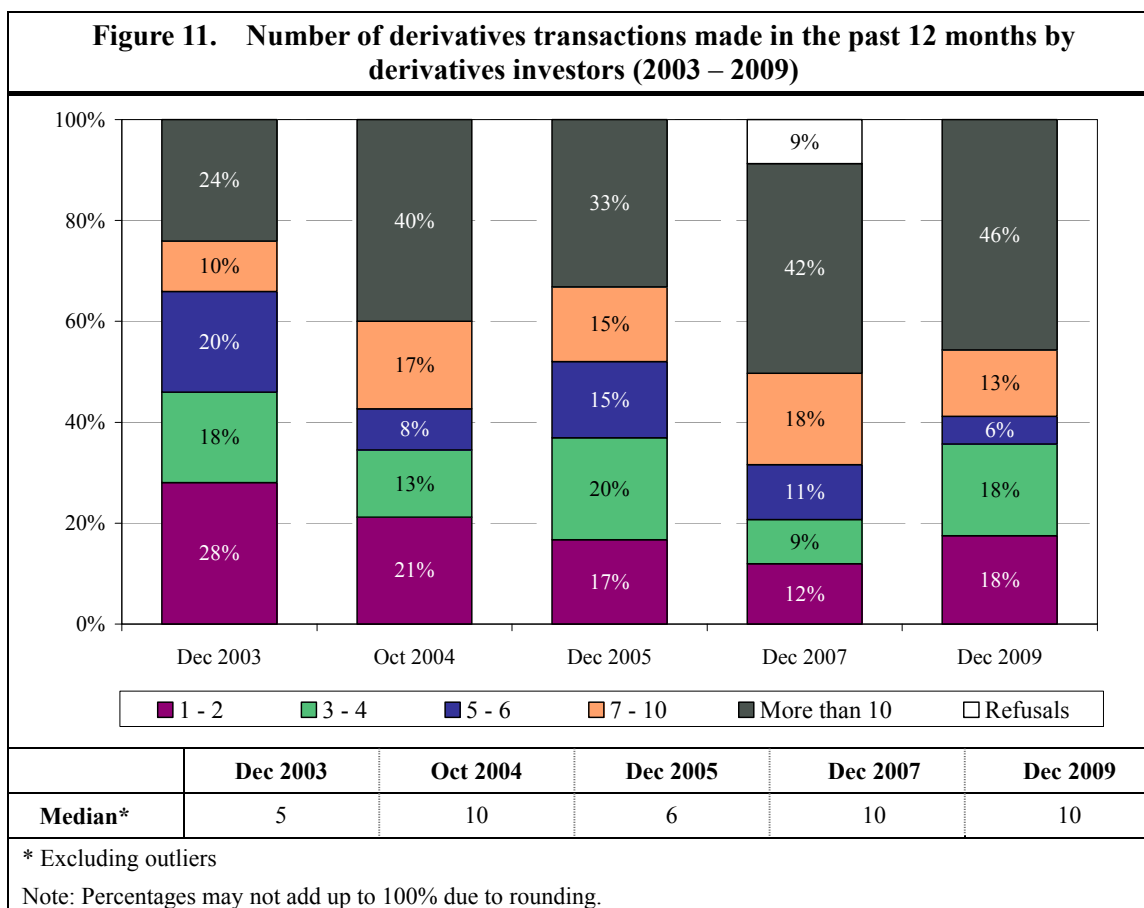
[#] The correlation coefficients reflect the direction and the strength of association between market value of stockholdings (including nil) and average value per stock transaction / implied total stock transaction value. The Pearson correlation is a parametric measure of the strength of linear dependence between the two variables. The rank correlation is a non-parametric measure of statistical dependence between the two variables. The correlations are significant at the 0.1% level (2-tailed).

Notes: (1) Stockholdings and transactions are in respect of all HKEx cash market products.

(2) Percentages may not add up to 100% due to rounding.

5.5 Trading pattern of derivatives investors

- The trading pattern of derivatives investors¹⁰ in 2009 was similar to that in 2007 — the median number of derivatives transactions was 10 while the median average contract volume per derivatives transaction was 2.
- However, the median implied total contract volume¹¹ per derivatives investor in the 12-month period was lower in 2009 (25 contracts) than in 2007 (40 contracts).¹²

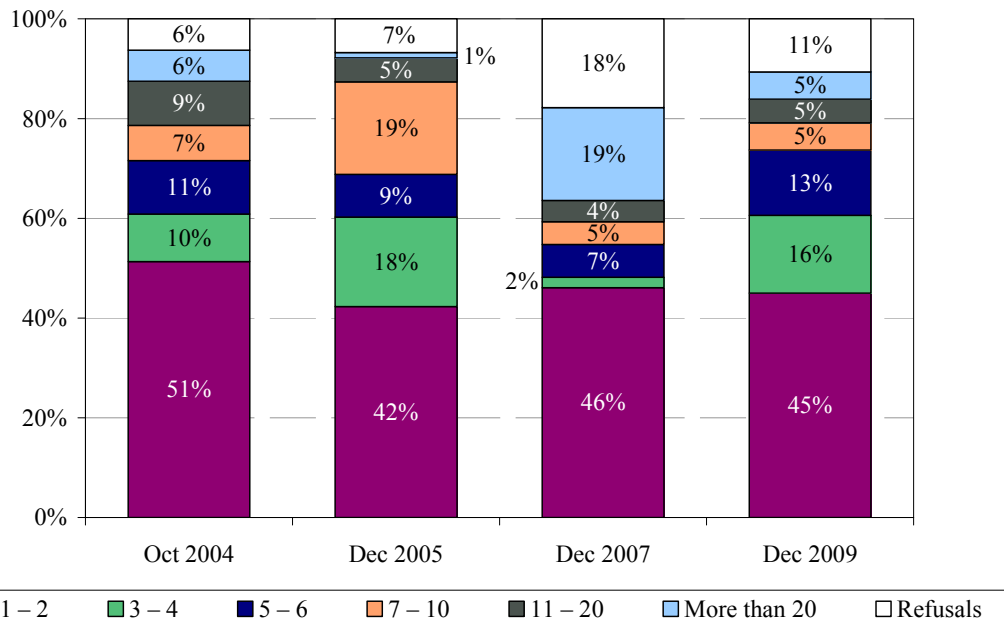


¹⁰ Reflecting the nature of derivatives trading, all derivatives investors had derivatives transactions during the 12-month period, ie all derivatives investors are derivatives traders.

¹¹ The implied total contract volume during the 12-month period for a respondent was calculated by multiplying the respondent's number of derivatives transactions by his/her average number of contracts per derivatives transaction. The figure is two-sided, ie both buy and sell sides for a transaction are counted. It must be borne in mind that the figure is subject to estimation error.

¹² It should be noted that in both years a certain proportion of derivatives investors did not provide answers to the questions on number of derivatives transactions and/or average contract volume per transaction. This would affect the reliability of the results. The issue was less serious in 2009 than in 2007.

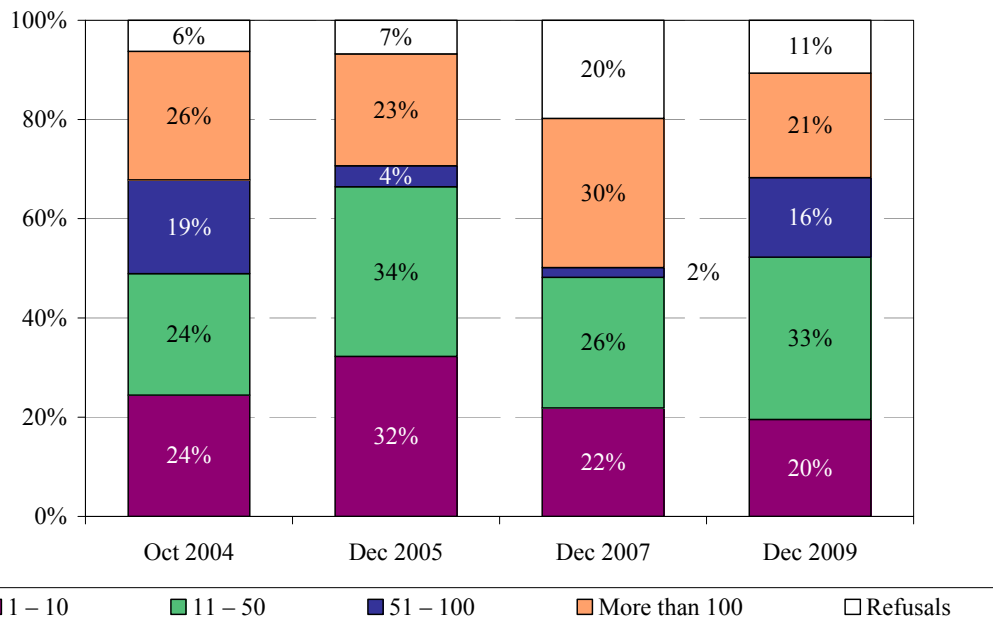
Figure 12. Average contract volume per transaction by derivatives investors in the past 12 months (2004 – 2009)



	Oct 2004	Dec 2005	Dec 2007	Dec 2009
Median*	2	3	2	2

* Excluding outliers.
Note: Percentages may not add up to 100% due to rounding.

Figure 13. Implied total contract volume by derivatives investors in the past 12 months (2004 – 2009)



	Oct 2004	Dec 2005	Dec 2007	Dec 2009
Median*	30	24	40	25

* Excluding outliers.
Note: Percentages may not add up to 100% due to rounding.

6. TRADING CHANNELS

6.1 Stock trading channels¹³

- **The majority of stock traders** (70%) traded through banks only, further up from 63% in 2007. Including stock traders who traded usually through banks, 74% of stock traders used banks as the main stock trading channel (69% in 2007).
- Use of stock trading channel by investor type:
 - **Equity investors** and **ETF investors** had the lowest usage of broker firms for stock trading (26% and 25% respectively traded mainly through broker firms; less than 20% traded through broker firms only);
 - **Warrant investors** had higher usage of broker firms (30%) than equity or ETF investors;
 - **CBBC investors** had the highest usage of broker firms (39% traded mainly through broker firms and 28% traded through broker firms only);
 - Compared with stock-and-derivatives investors, a larger proportion of **stock-only investors** traded through banks only (71% vs 50%); conversely, a larger proportion of stock-and-derivatives investors traded through broker firms only (30% vs 19%);
 - Compared with non-online stock traders, a larger proportion of **online stock traders** traded through banks only (77% vs 55%); conversely, a larger proportion of non-online stock traders traded through broker firms only (38% vs 10%).
- Compared with stock traders who traded mainly through broker firms, **those who traded mainly through banks** comprised a larger proportion of females (47% vs 41%), younger individuals (a median age of 43 vs 46), a smaller proportion of individuals employed in finance industry (11% vs 21%), and a larger proportion of homemakers and retirees (29% vs 20%).
- Compared with those who traded mainly through banks, **stock traders who traded mainly through broker firms** tended to have:
 - A relatively higher stockholding value (a median of HK\$130,000 vs HK\$115,000);
 - A relative larger number of listed company shareholdings (a median of 4 vs 3; 38% vs 28% holding 6 or more stocks);
 - A higher frequency of stock transactions in the 12-month period (a median of 15 vs 10);
 - A relatively lower average value per stock transaction (a median of HK\$30,000 vs HK\$40,000);
 - A higher implied total stock transaction value in the 12-month period (a median of HK\$500,000 vs HK\$420,000); and
 - In aggregate, they contributed 32% of total retail stock trading.

¹³ Both banks and broker firms offer securities trading service to retail investors. However, banks are not Exchange Participants in HKEx's securities markets. They have to channel orders received from investors to broker firms, which may or may not be related to the banks, for execution.

Figure 14. Stock trading channel of stock investors/traders (1992 – 2009)

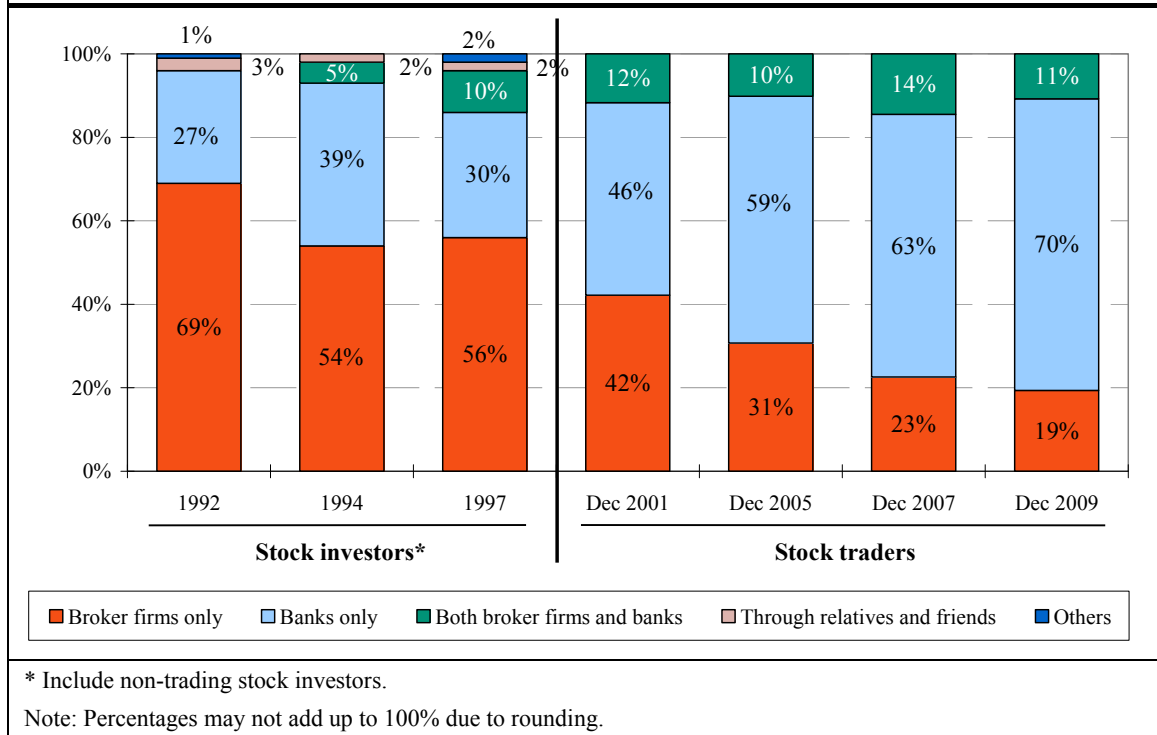
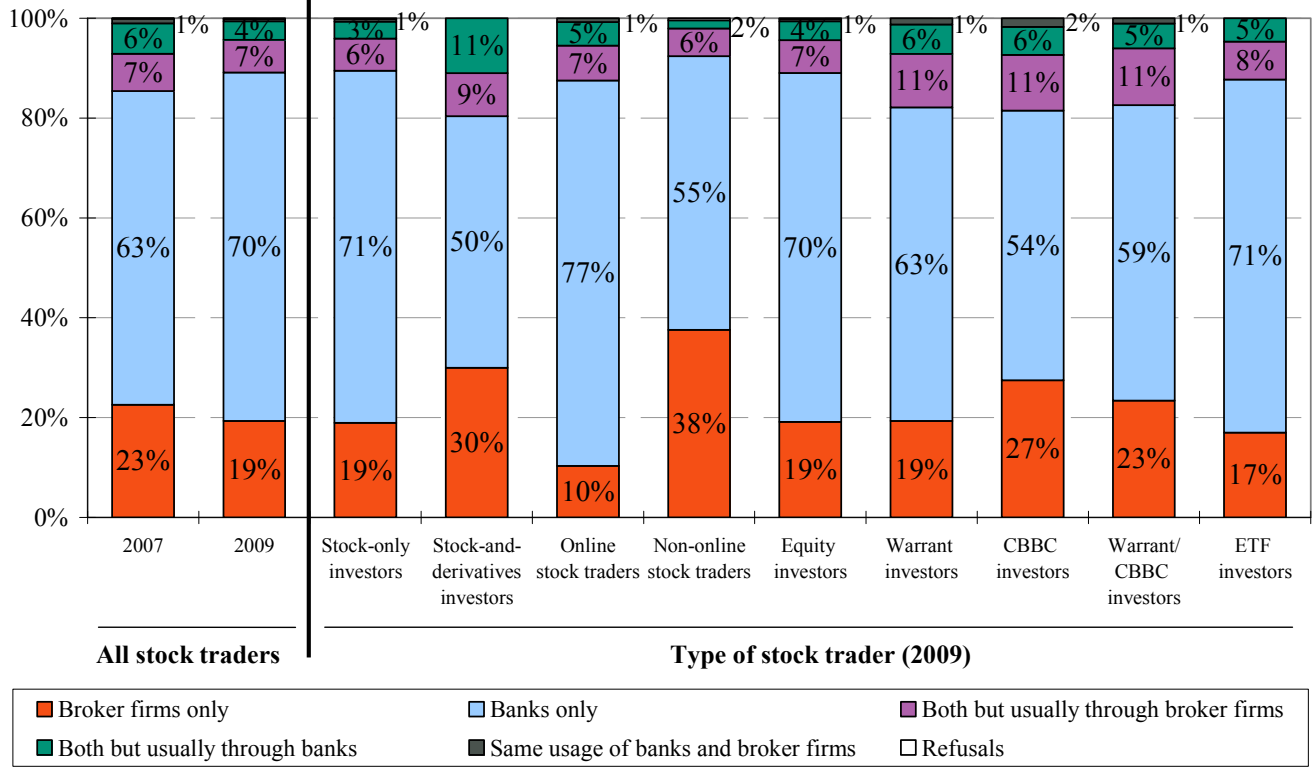


Figure 15. Stock trading channel by stock trader type (2007 and 2009)



Stock trading channels	All stock traders		Type of stock trader (2009)								
	2007	2009	Stock-only investors	Stock-and-derivatives investors	Online stock traders	Non-online stock traders	Equity investors	Warrant investors	CBBC investors	Warrant/CBBC investors	ETF investors
Mainly through banks	69.0%	73.5%	74.0%	61.4%	81.9%	56.5%	73.6%	68.7%	59.6%	64.2%	75.4%
- Banks only	62.9%	69.8%	70.5%	50.4%	77.2%	54.8%	69.9%	62.8%	54.0%	59.2%	70.7%
- Usually through banks	6.1%	3.7%	3.4%	11.0%	4.7%	1.7%	3.7%	5.9%	5.6%	5.0%	4.7%
Mainly through broker firms	30.0%	25.9%	25.4%	38.6%	17.3%	43.1%	25.7%	30.0%	38.6%	34.8%	24.6%
- Broker firms only	22.6%	19.3%	18.9%	30.0%	10.3%	37.6%	19.1%	19.4%	27.5%	23.4%	17.0%
- Usually through broker firms	7.4%	6.5%	6.4%	8.6%	7.0%	5.6%	6.6%	10.7%	11.1%	11.4%	7.6%
Same usage of banks and broker firms	0.9%	0.5%	0.5%	0.0%	0.8%	0.0%	0.5%	1.3%	1.7%	1.0%	0.0%
Refusals	0.1%	0.1%	0.1%	0.0%	0.0%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%

Note: Percentages may not add up to sub-totals or 100% due to rounding.

Table 10. Profile of stock traders by trading channel (2009)

	Trading mainly through banks	Trading mainly through broker firms
Sex		
Male	52.7%	59.2%
Female	47.3%	40.8%
Age		
18 – 19	0.7%	0.0%
20 – 29	13.5%	7.7%
30 – 39	22.6%	23.5%
40 – 49	27.5%	33.6%
50 – 59	21.8%	20.6%
60 or over	13.9%	14.6%
Median	43	46
Education level		
No schooling / kindergarten	1.3%	1.7%
Primary	7.4%	6.3%
Lower secondary	10.3%	10.2%
Upper secondary	27.7%	29.6%
Matriculation	7.5%	9.2%
Tertiary or above	44.9%	42.9%
Refusals	0.8%	0.0%
Occupation		
Managers / administrators / professionals	24.8%	29.6%
White collar	21.7%	29.1%
Blue collar	16.8%	15.4%
Homemakers	12.6%	9.9%
Retirees	16.4%	10.2%
Students	1.9%	0.4%
Unemployed persons	3.8%	4.1%
Refusals	2.0%	1.3%
Industry of employed persons*		
Manufacturing	11.1%	10.3%
Construction	7.7%	6.2%
Wholesale, retail, import/export trades, restaurants and hotels	23.4%	25.0%
Transport, storage, courier and communication	11.8%	10.7%
Financing and insurance	10.5%	20.6%
Professional and business services	9.5%	11.1%
Social and personal services	18.5%	9.6%
Others	6.4%	5.3%
Refusals	1.2%	1.1%
Median monthly personal income (HK\$)*	16,250	16,250
Median monthly household income (HK\$)	35,000	35,000

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

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

Figure 16. Market value of stockholdings by trading channel (stock traders only) (2007 and 2009)

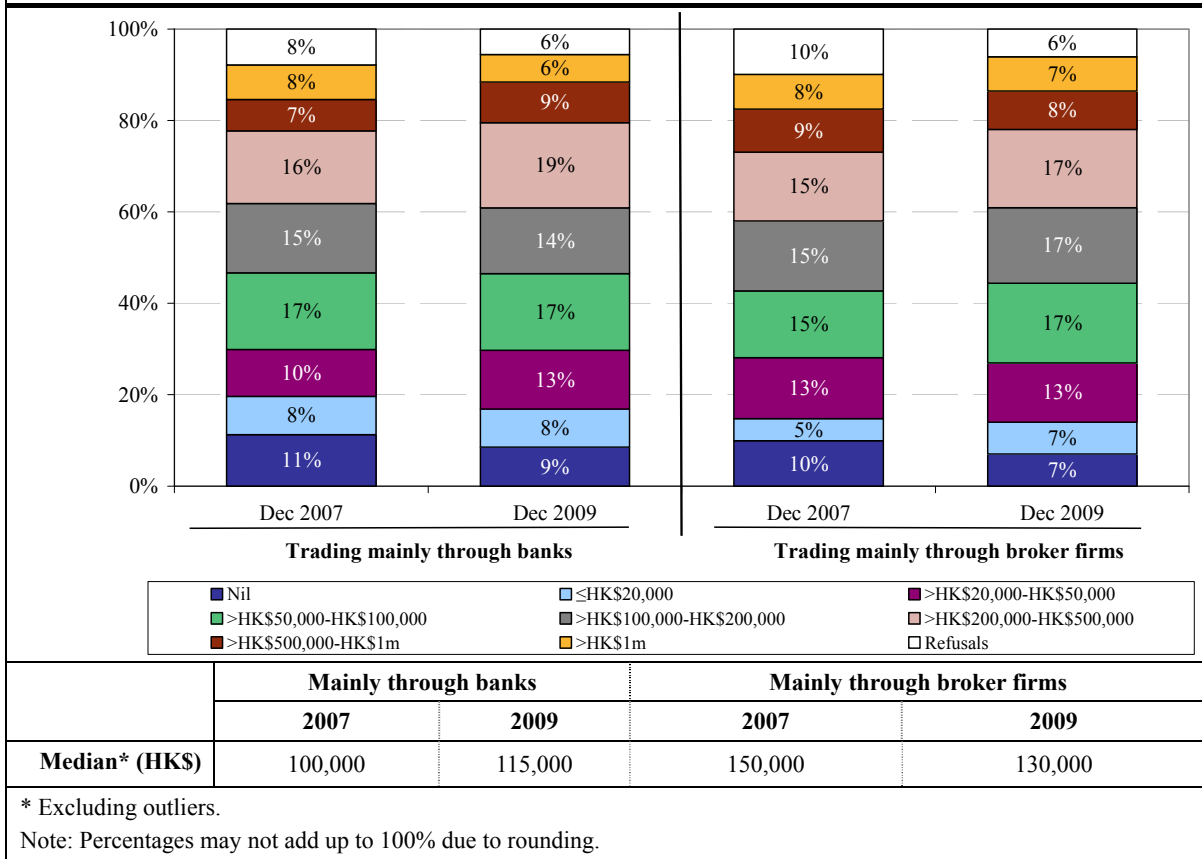


Figure 17. Number of listed company shareholdings by trading channel (stock traders only) (2009)

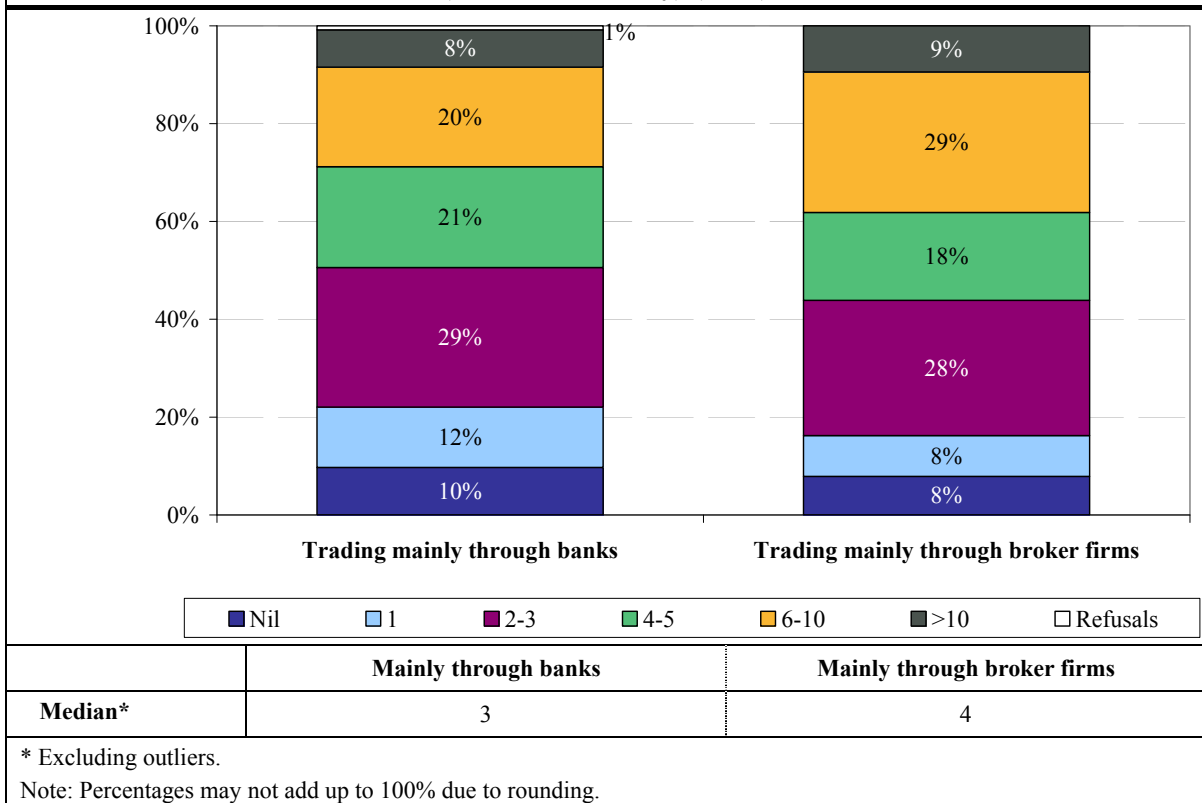


Figure 18. Number of stock transactions in the past 12 months by trading channel (stock traders only) (2007 and 2009)

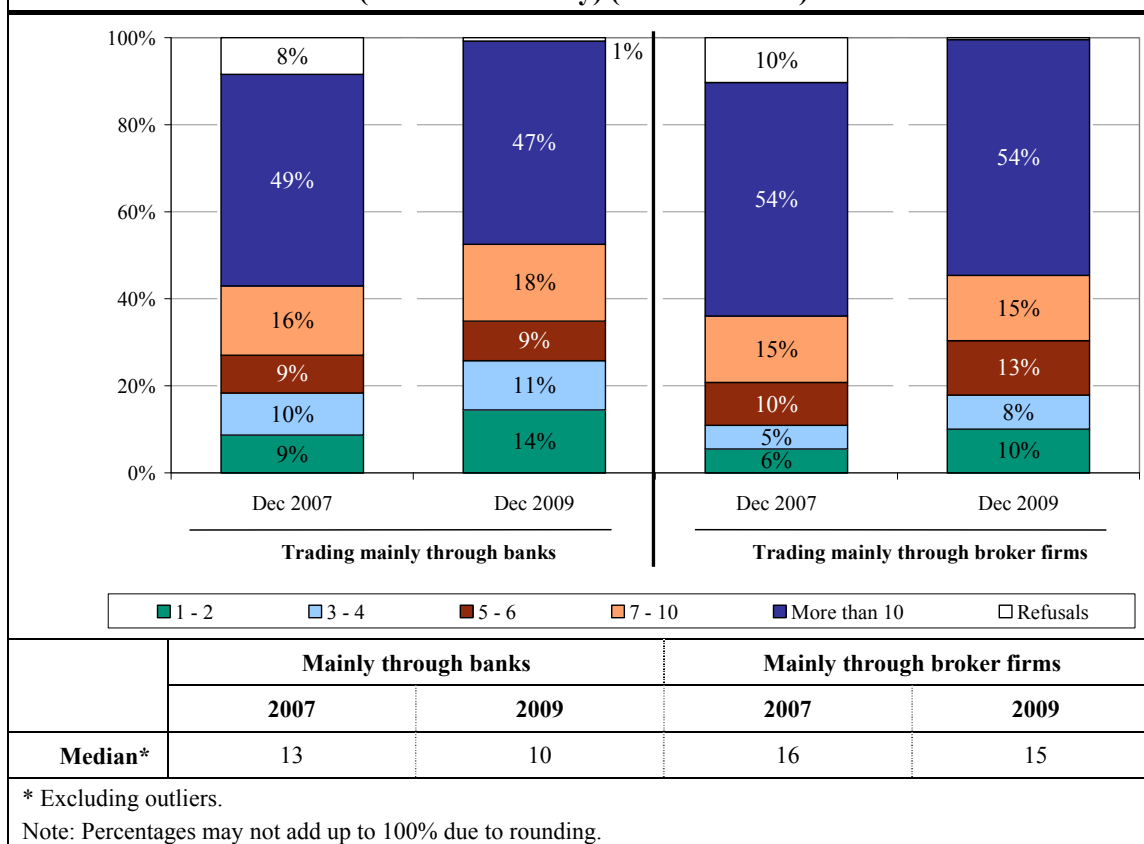
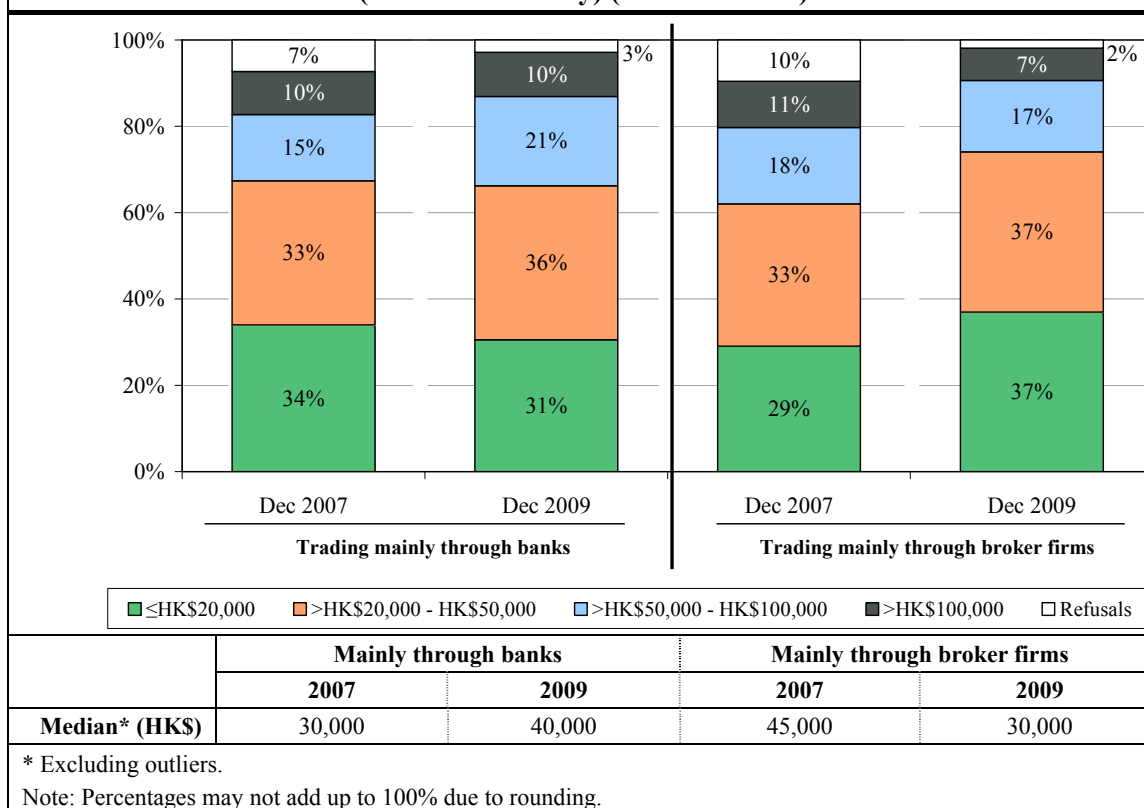
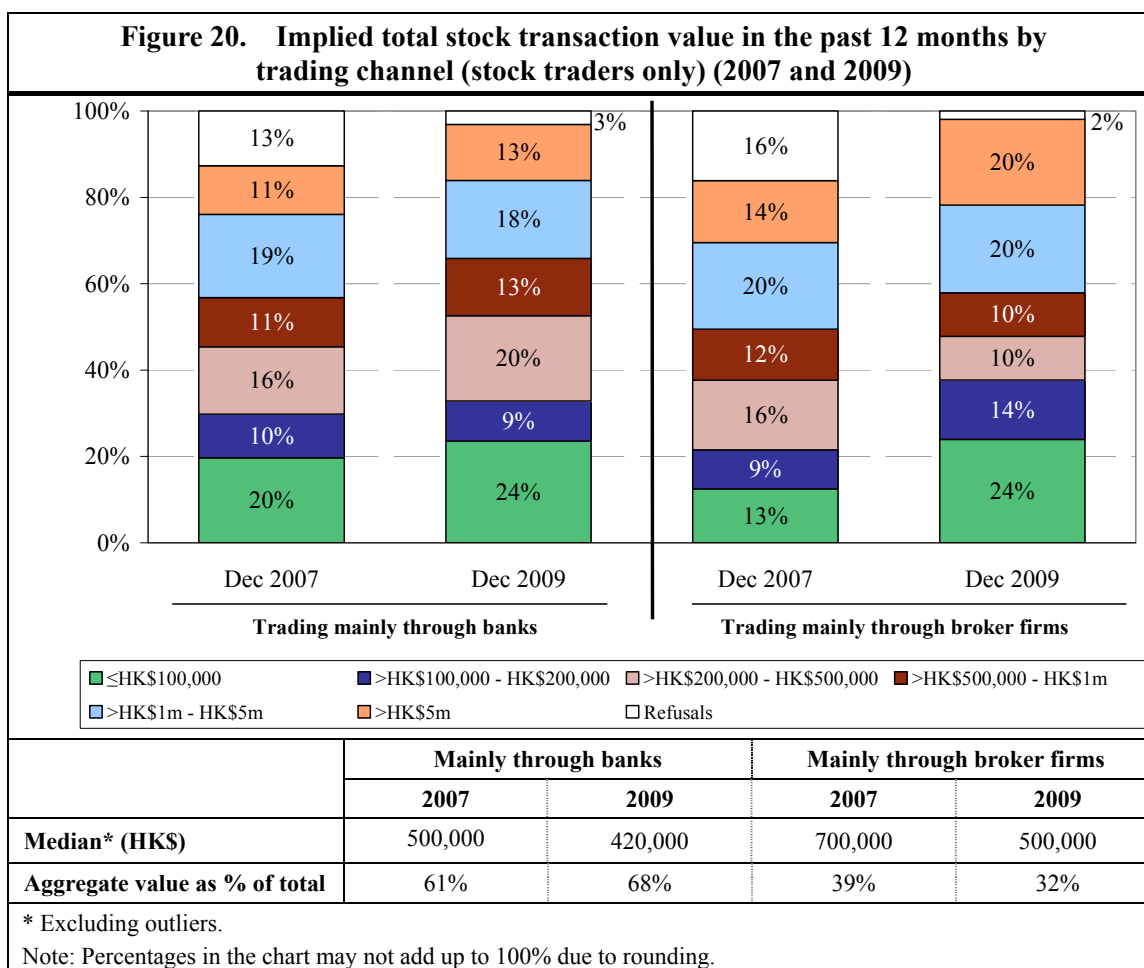


Figure 19. Average value per stock transaction in the past 12 months by trading channel (stock traders only) (2007 and 2009)





6.2 Derivatives trading channels¹⁴

- In 2009, 48% of derivatives investors traded solely through banks (vs 37% in 2007) while 44% traded solely through broker firms (vs 49% in 2007). However, together with derivatives investors who traded usually through broker firms, the majority of derivatives investors traded mainly through broker firms (52%, compared to 55% in 2007).
- Compared with those who traded mainly through banks, derivatives investors who traded mainly through broker firms tended to have a higher frequency of derivatives transactions in the 12-month period (a median of 24 transactions vs 4), a similarly low average contract volume per transaction (a median of 2 contracts vs 3) and a higher implied total contract volume per investor in the 12-month period (a median of 60 contracts vs 20).

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 and the high proportion of null response to certain questions. Due to the concern of reliability, certain analysis performed for stock investors by stock trading channel were not presented here for derivatives investors by derivatives trading channel. Caution is needed in interpreting the presented findings on derivatives investors.

¹⁴ Although banks do not directly offer derivatives trading service to retail investors, they may provide redirection service to their related broker firms (sister company in the same corporate group) on their websites or on inquiry. Investors who regard themselves trading derivatives through banks would include those using such service and those trading through broker firms with the same label as the related banks.

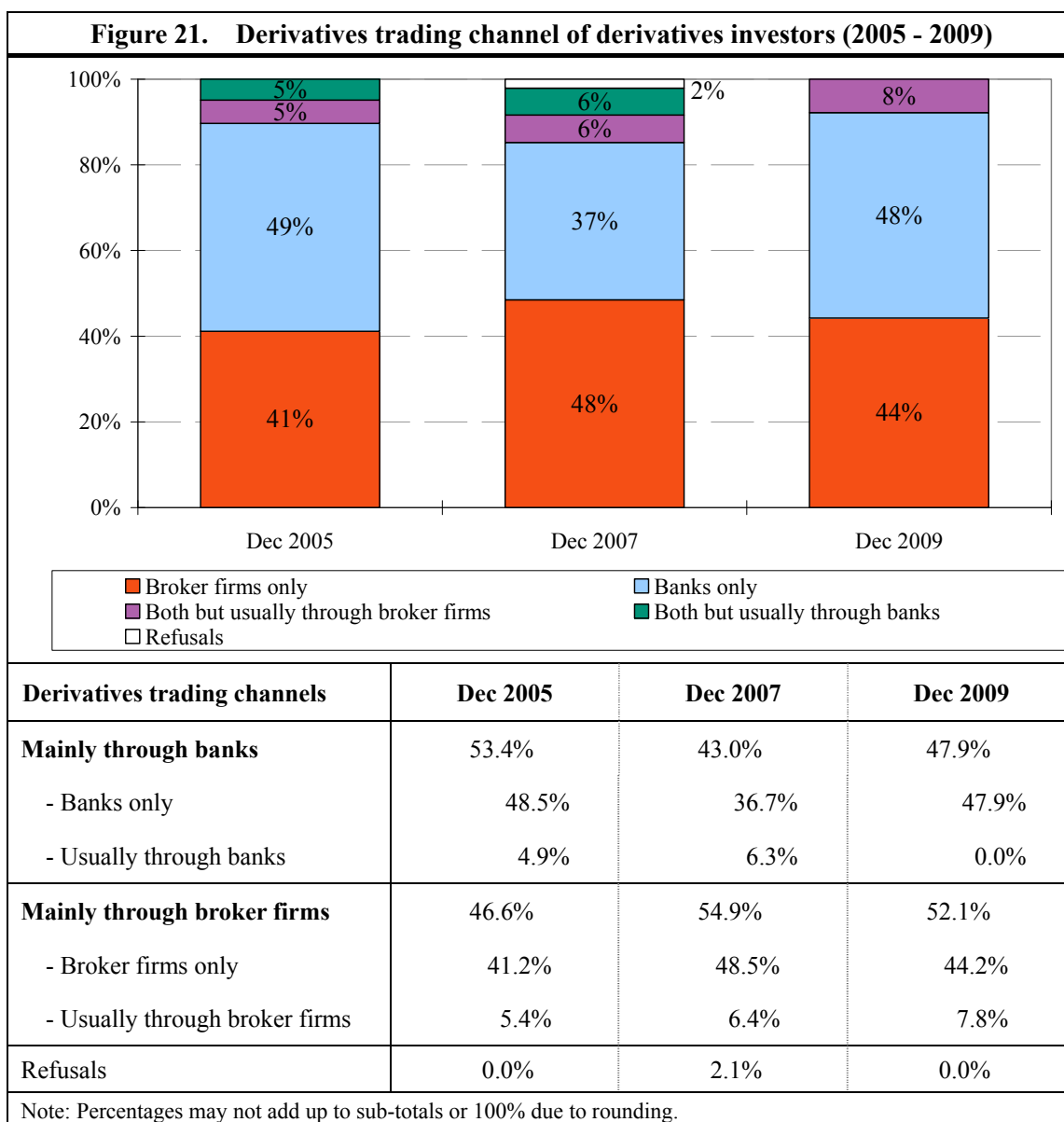


Figure 22. Number of derivatives transactions in the past 12 months by trading channel (2007 and 2009)

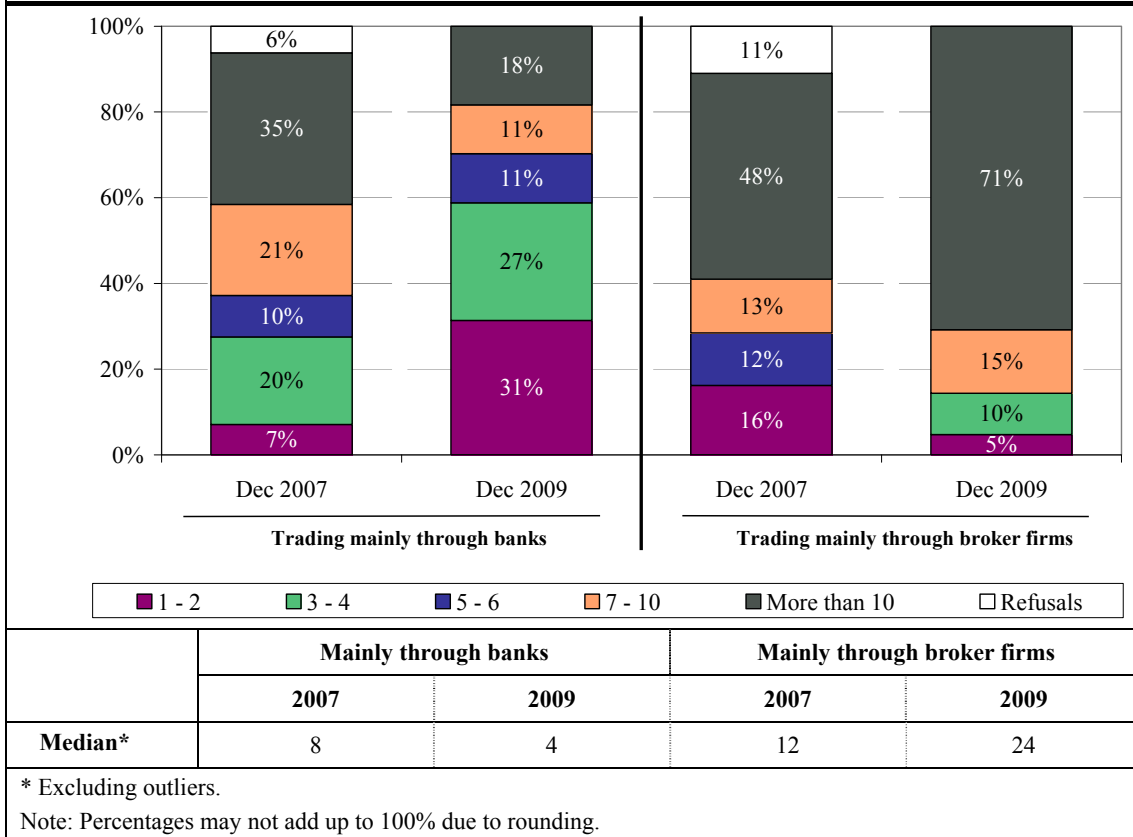


Figure 23. Average contract volume per derivatives transaction in the past 12 months by trading channel (2007 and 2009)

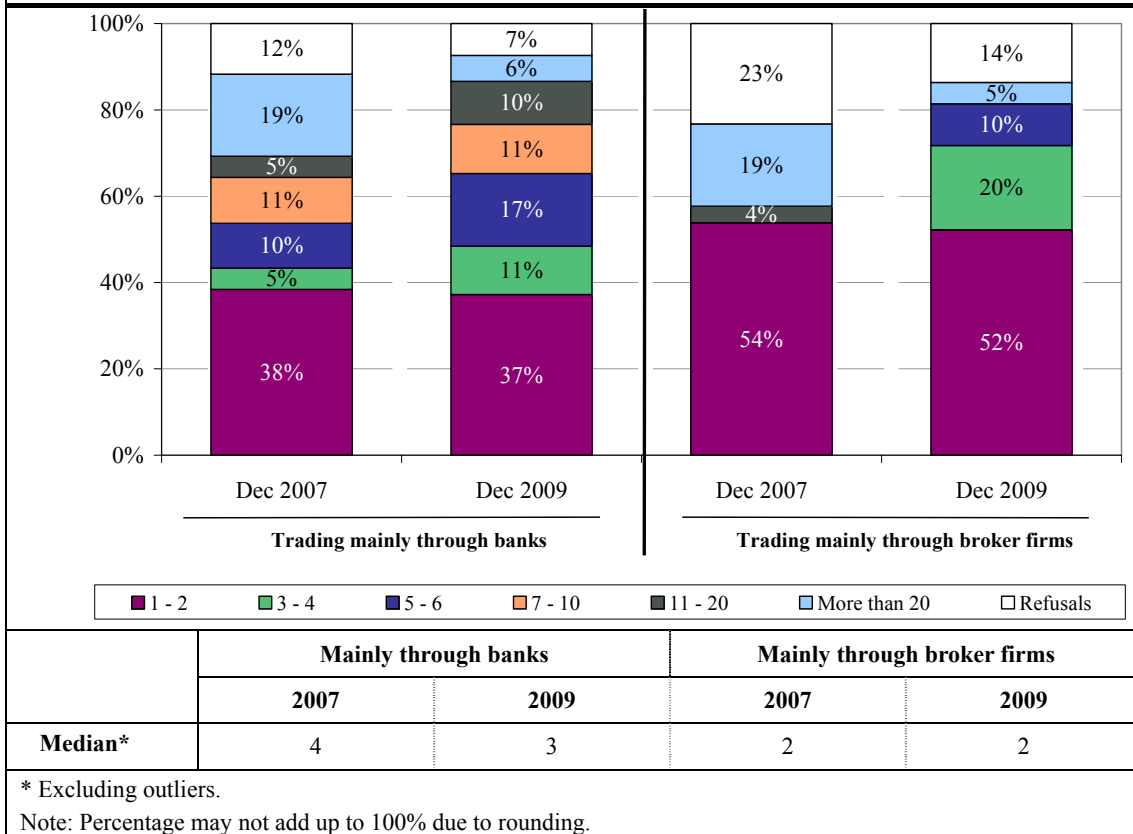
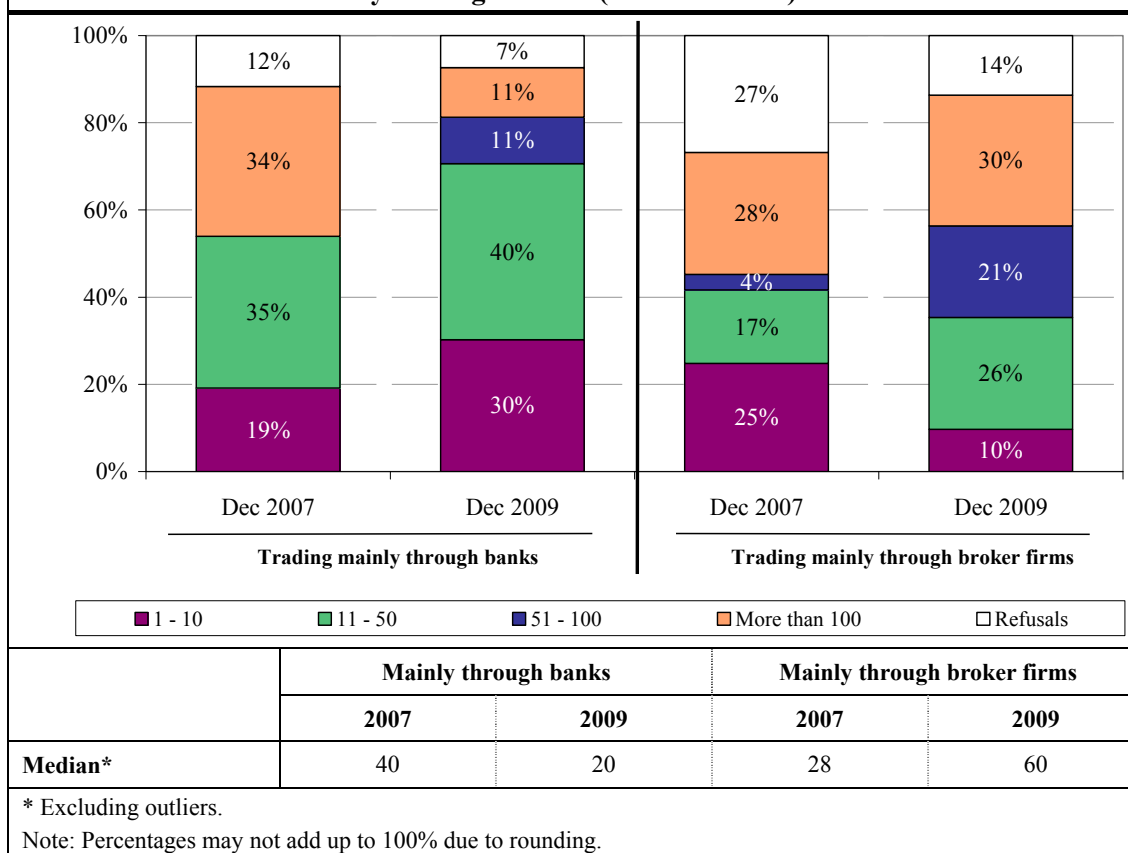


Figure 24. Implied total contract volume of derivatives investors in the past 12 months by trading channel (2007 and 2009)

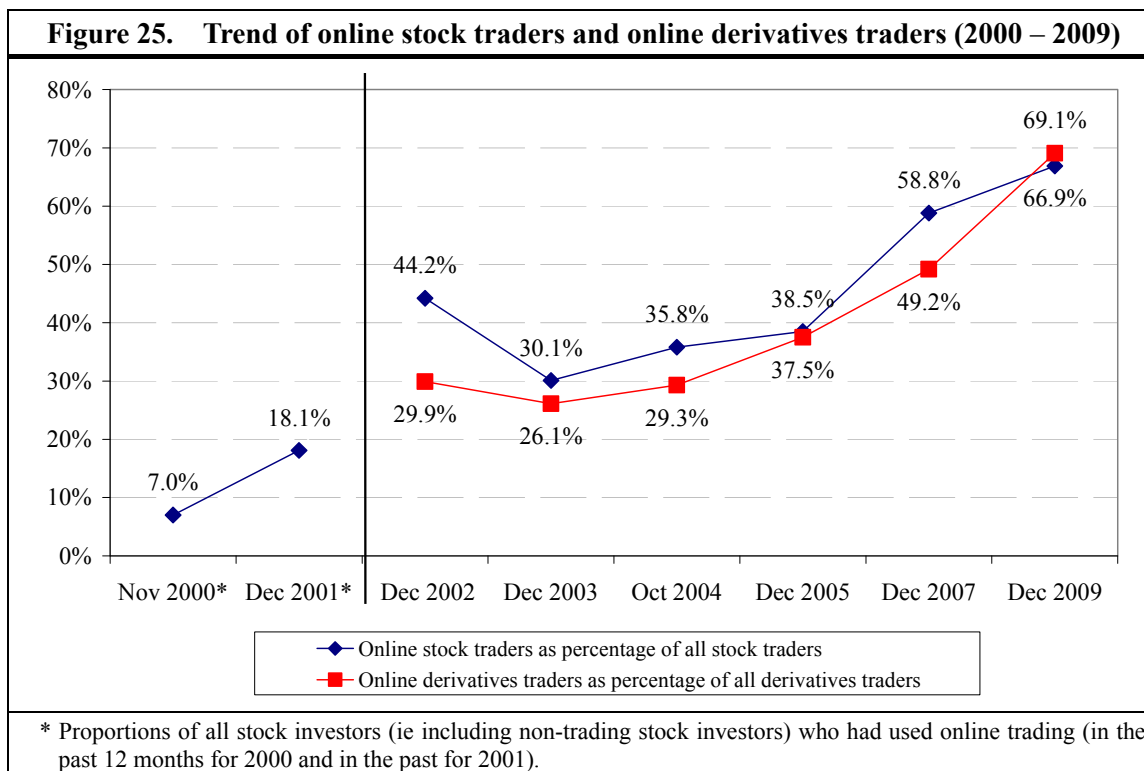


7. ONLINE TRADERS

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

- The uptrends for online stock traders and online derivatives traders continued in 2009. Online stock traders accounted for 67% of all stock traders in 2009, the highest in record. Online derivatives traders rose to 69% of all derivatives traders in 2009, also the highest in record.
- A larger proportion of CBBC investors (86%) and warrant investors (77%) were online stock traders as compared to other investor types (about 70%).
- Among online stock traders, 68% traded online all the time, up significantly from 54% in 2007. The proportion who traded online all the time or most of the time increased from 73% in 2007 to 81% in 2009.
- Among online derivatives traders, 58% traded online all the time, compared to 56% in 2007. The proportion who traded online all the time or most of the time increased from 65% in 2007 to 78% in 2009.

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. Therefore, caution is needed in interpreting the findings on derivatives investors.



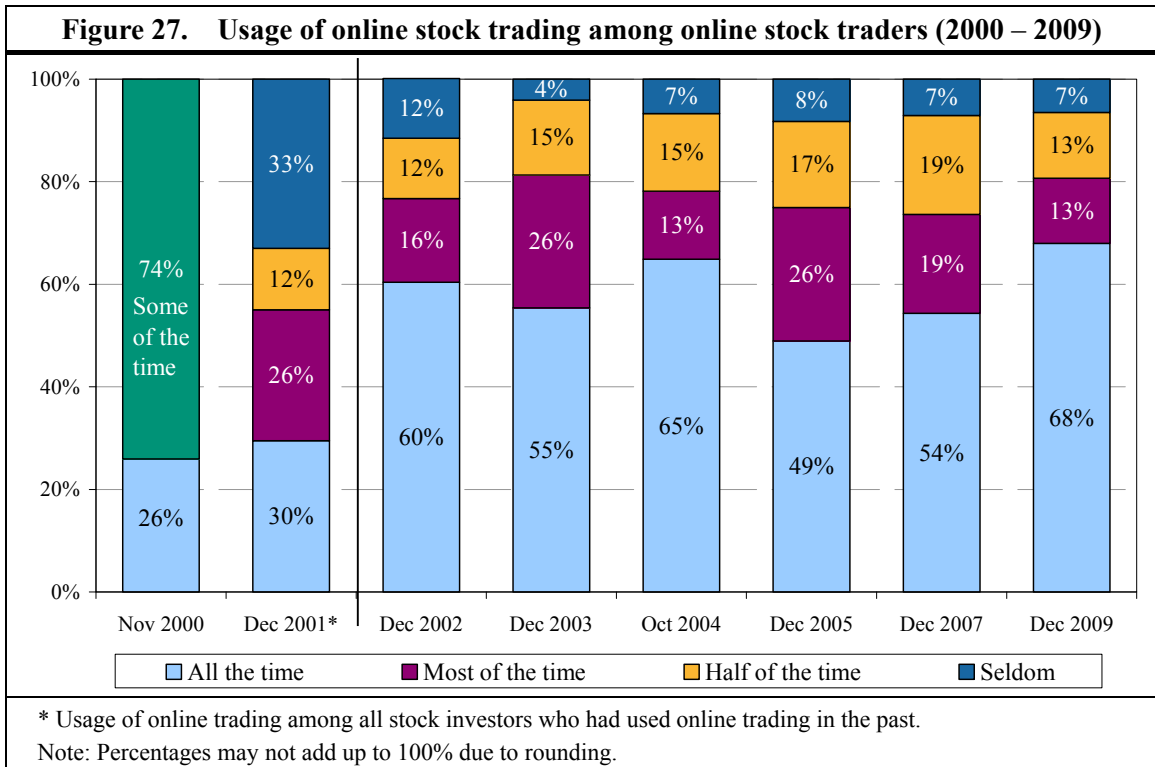
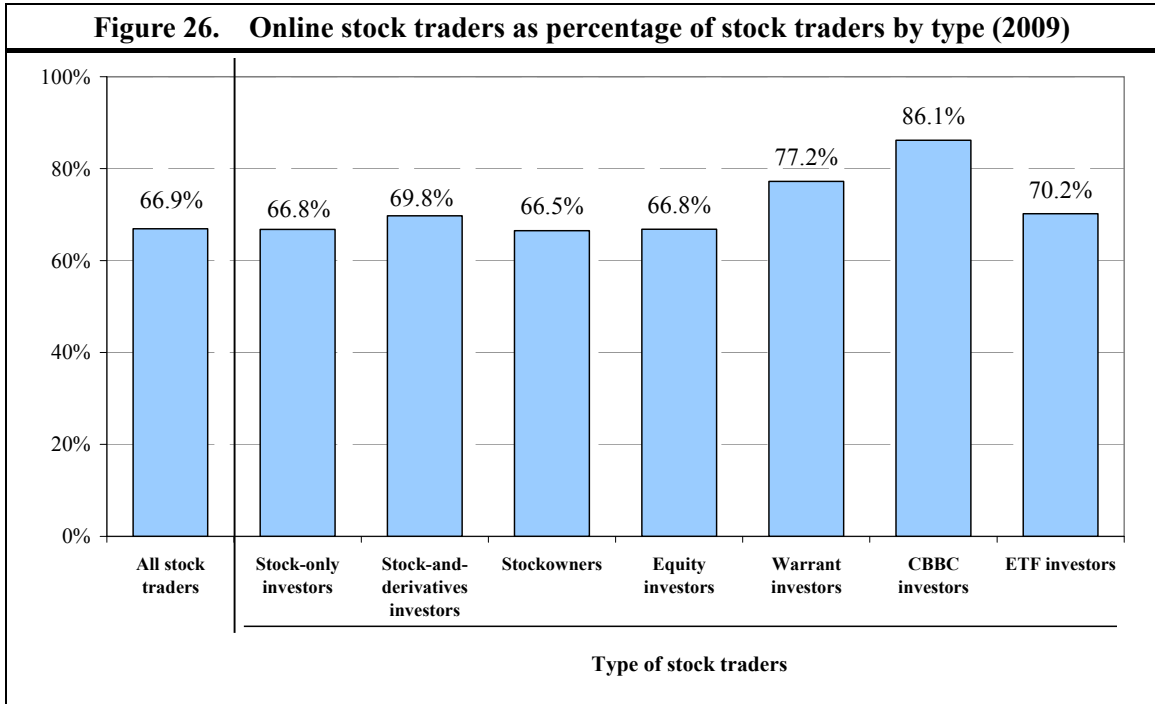
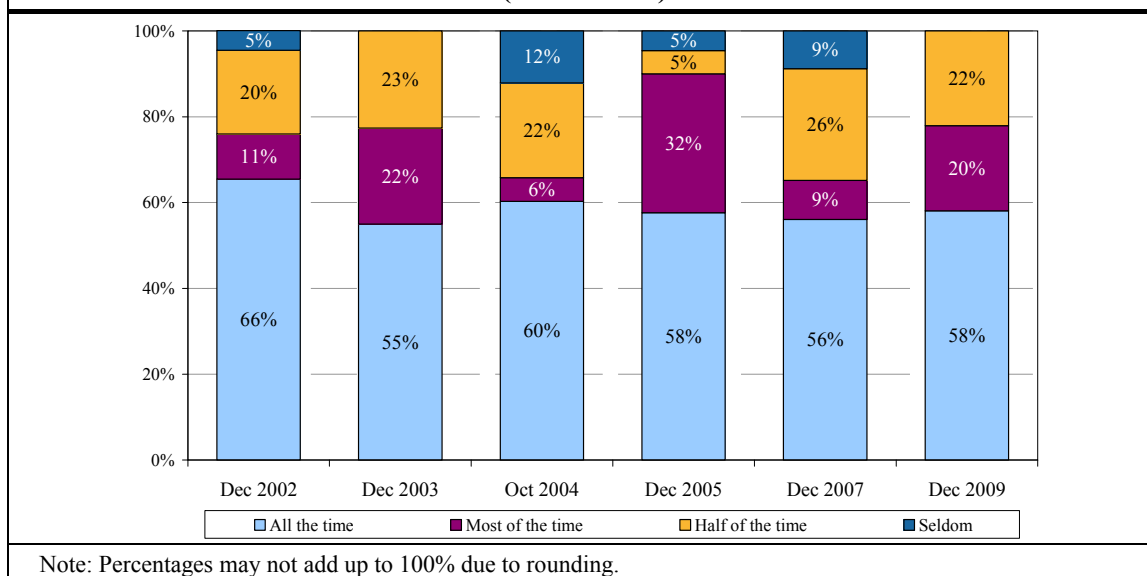


Figure 28. Usage of online derivatives trading among online derivatives traders (2002 – 2009)



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

- A *typical online stock trader* was 40 years old, with tertiary or above education, a monthly personal income of about HK\$16,250 and a monthly household income of HK\$35,000.
- Compared with non-online stock traders, *online stock traders* tended to have:
 - Relatively more younger individuals and individuals of higher education level and higher work status;
 - A larger market value of stockholdings (a median of HK\$150,000 vs HK\$100,000);
 - A slightly larger number of listed company shareholdings (a median of 4 vs 3; 32% vs 29% holding 6 or more stocks);
 - A larger proportion who traded mainly through banks (see Section 6.1 and Figure 15);
 - Traded more frequently in the 12-month period (a median of 12 transactions vs 10; 53% vs 41% had more than 10 transactions);
 - A similar average value per stock transaction (a median of HK\$35,000);
 - A higher implied total stock transaction value in the 12-month period (a median of HK\$500,000 vs HK\$300,000); and
 - As a whole, online stock traders contributed the majority of total stock trading value (68%).
- Compared with non-online derivatives traders, *online derivatives traders* tended to have:
 - Relatively more individuals who made more than 10 derivatives transactions in the 12-month period (48% vs 41%), although in median terms they had slightly lower trading frequency (8 transactions vs 10);
 - A smaller average contract volume per derivatives transaction (a median of 2 contracts vs 3; 57% vs 32%, excluding refusals, had an average of 1-2 contracts per transaction) and a smaller implied total contract volume in the 12-month period (a median of 24 contracts vs 60).

Note: Caution is needed in interpreting the findings on derivatives investors due to the small sample size of the group and for the same reason inferred statistics on the profile and trading channel of online derivatives investors could not be produced.

Table 11. Profile of online and non-online stock traders (2009)

	Stock investors	Stock traders	Non-online stock traders	Online stock traders		
				Dec 05	Dec 07	Dec 09
Sex						
Male	53.4%	54.6%	58.1%	63.3%	55.4%	52.8%
Female	46.6%	45.4%	41.9%	36.7%	44.7%	47.2%
Age						
18 – 19	0.4%	0.5%	0.3%	0.2%	1.2%	0.6%
20 – 29	11.6%	12.0%	4.8%	16.2%	20.2%	15.6%
30 – 39	21.2%	22.7%	12.2%	30.6%	27.9%	27.9%
40 – 49	29.6%	29.2%	27.4%	36.0%	31.5%	30.1%
50 – 59	21.7%	21.5%	26.3%	11.8%	13.9%	19.1%
60 or over	15.4%	14.1%	29.0%	5.2%	5.3%	6.7%
Median	45	44	50	42	42	40
Education level						
No schooling / kindergarten	1.3%	1.4%	3.0%	0.0%	0.2%	0.7%
Primary	8.0%	7.1%	13.5%	2.2%	2.0%	3.9%
Lower secondary	10.1%	10.3%	15.2%	7.0%	9.2%	8.0%
Upper secondary	29.3%	28.2%	31.0%	28.7%	28.1%	26.8%
Matriculation	8.3%	7.9%	6.8%	7.9%	8.1%	8.5%
Tertiary or above	42.5%	44.5%	30.3%	54.3%	52.3%	51.5%
Refusals	0.5%	0.6%	0.4%	0.0%	0.2%	0.7%
Occupation						
Managers / administrators / professionals	25.7%	25.9%	19.1%	31.0%	28.8%	29.3%
White collar	22.1%	23.6%	17.9%	36.3%	30.8%	26.5%
Blue collar	16.9%	16.6%	17.8%	11.0%	13.2%	16.0%
Homemakers	13.3%	11.8%	15.4%	6.7%	10.6%	10.0%
Retirees	15.3%	14.8%	24.6%	7.0%	8.4%	10.0%
Students	1.5%	1.5%	0.0%	0.7%	2.3%	2.2%
Unemployed persons	3.6%	3.9%	3.8%	3.4%	1.7%	3.9%
Refusals	1.8%	2.0%	1.5%	3.8%	4.3%	2.2%
Industry of employed persons*						
Manufacturing	10.5%	10.8%	10.3%	—	—	11.0%
Construction	7.6%	7.2%	5.0%	—	—	8.0%
Wholesale, retail, import/export trades, restaurants and hotels	23.3%	23.7%	26.5%	—	—	22.7%
Transport, storage, courier and communication	11.9%	11.4%	15.6%	—	—	9.8%
Financing and insurance	13.0%	13.8%	11.9%	—	—	14.5%
Professional and business services	10.3%	9.9%	10.1%	—	—	9.8%
Social and personal services	16.0%	15.8%	14.1%	—	—	16.5%
Others	6.3%	6.2%	6.5%	—	—	6.1%
Refusals	1.3%	1.2%	0.0%	—	—	1.6%
Median monthly personal income (HK\$)*	16,250	16,250	13,750	22,500	22,500	16,250
Median monthly household income (HK\$)	35,000	35,000	27,500	45,000	35,000	35,000

* Among those who were engaged in full-time or part-time employment. “—”: Not available.
Note: Percentages may not add up to 100% due to rounding.

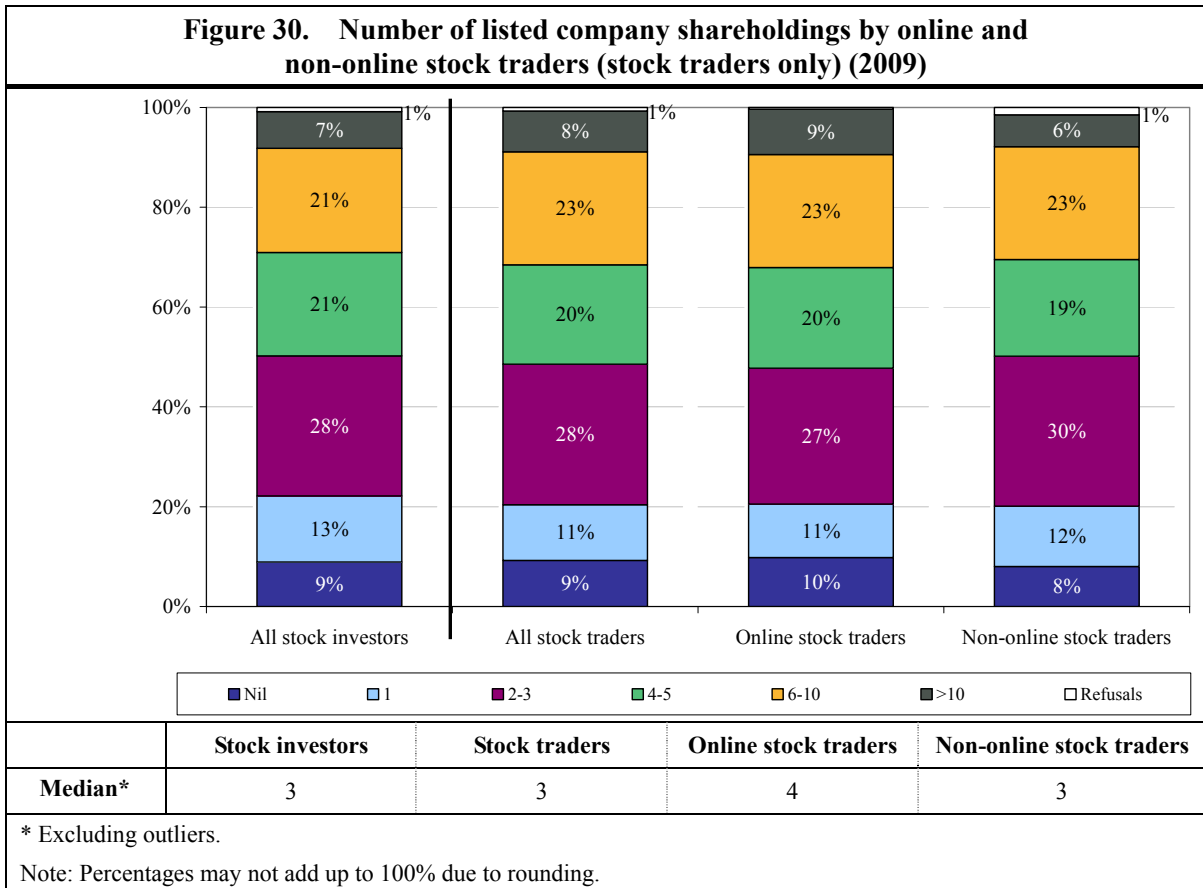
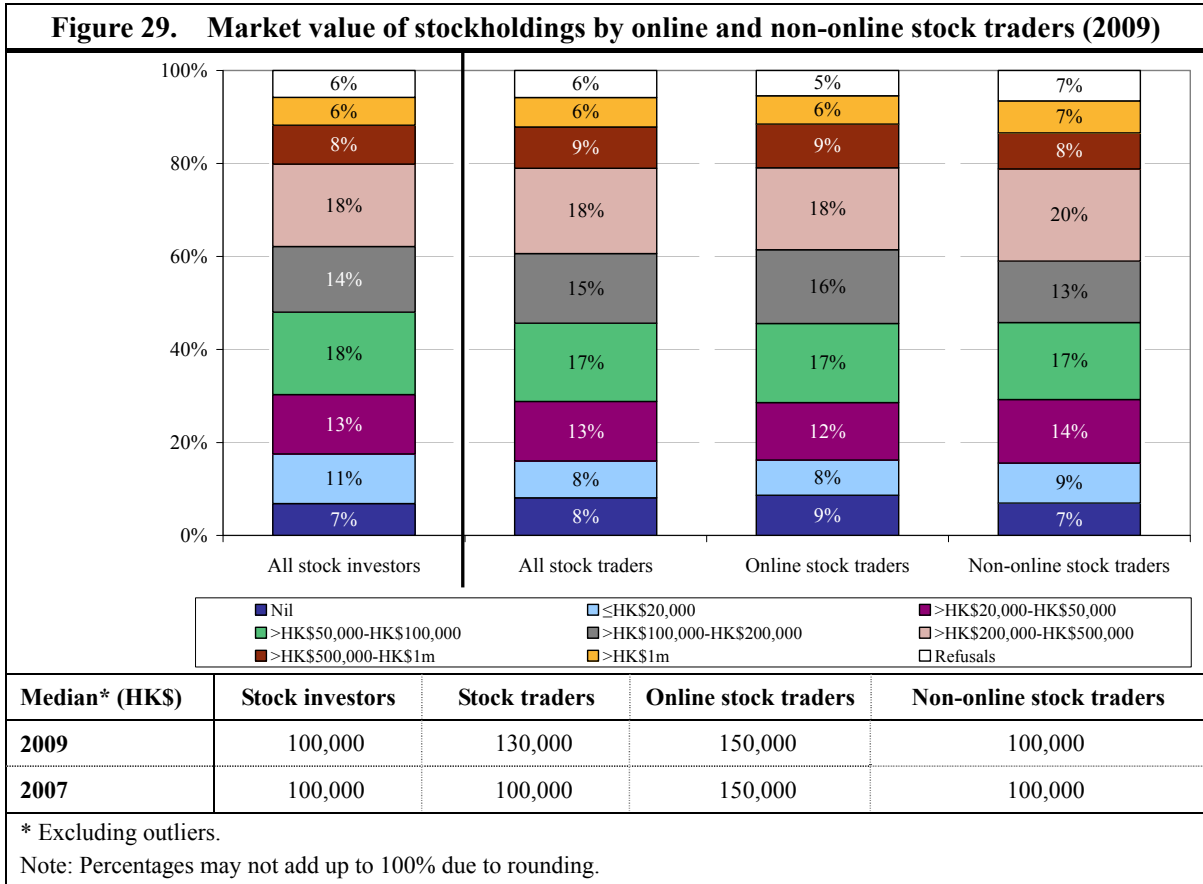


Figure 31. Number of stock transactions in the past 12 months by online stock traders (2002 – 2009)

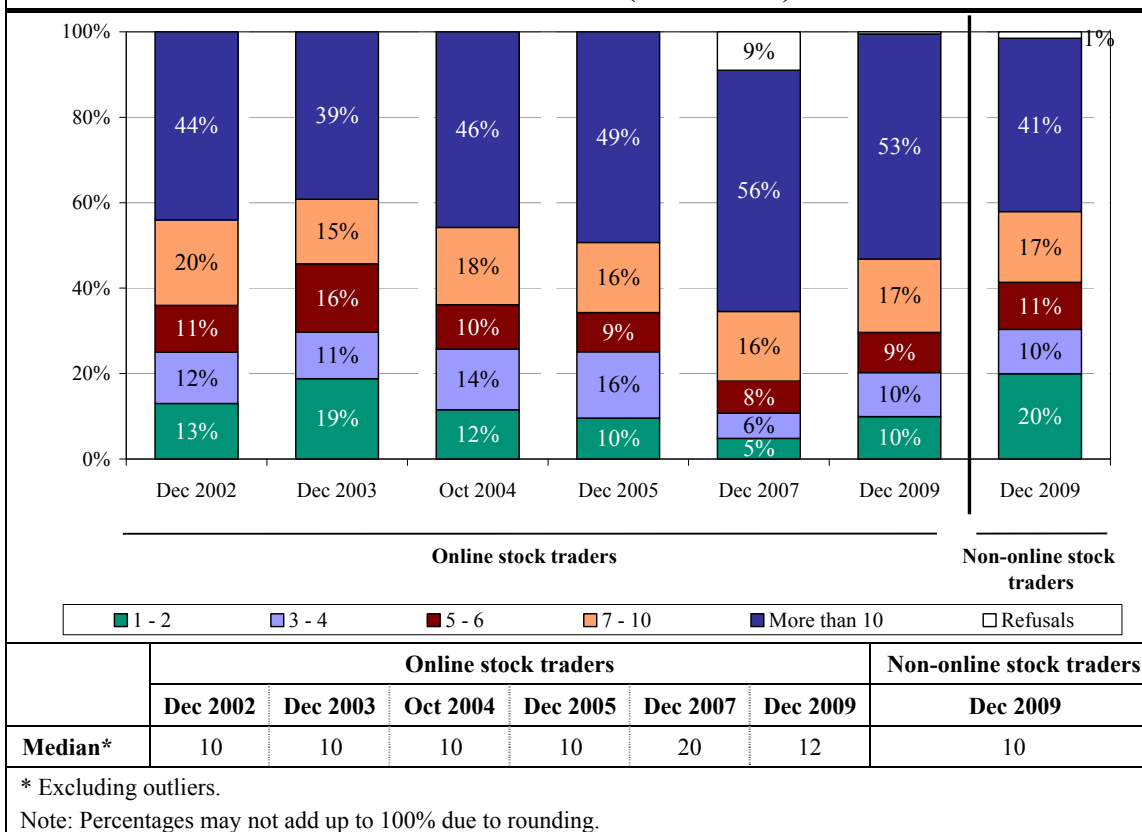


Figure 32. Average value per stock transaction in the past 12 months by online and non-online stock traders (2009)

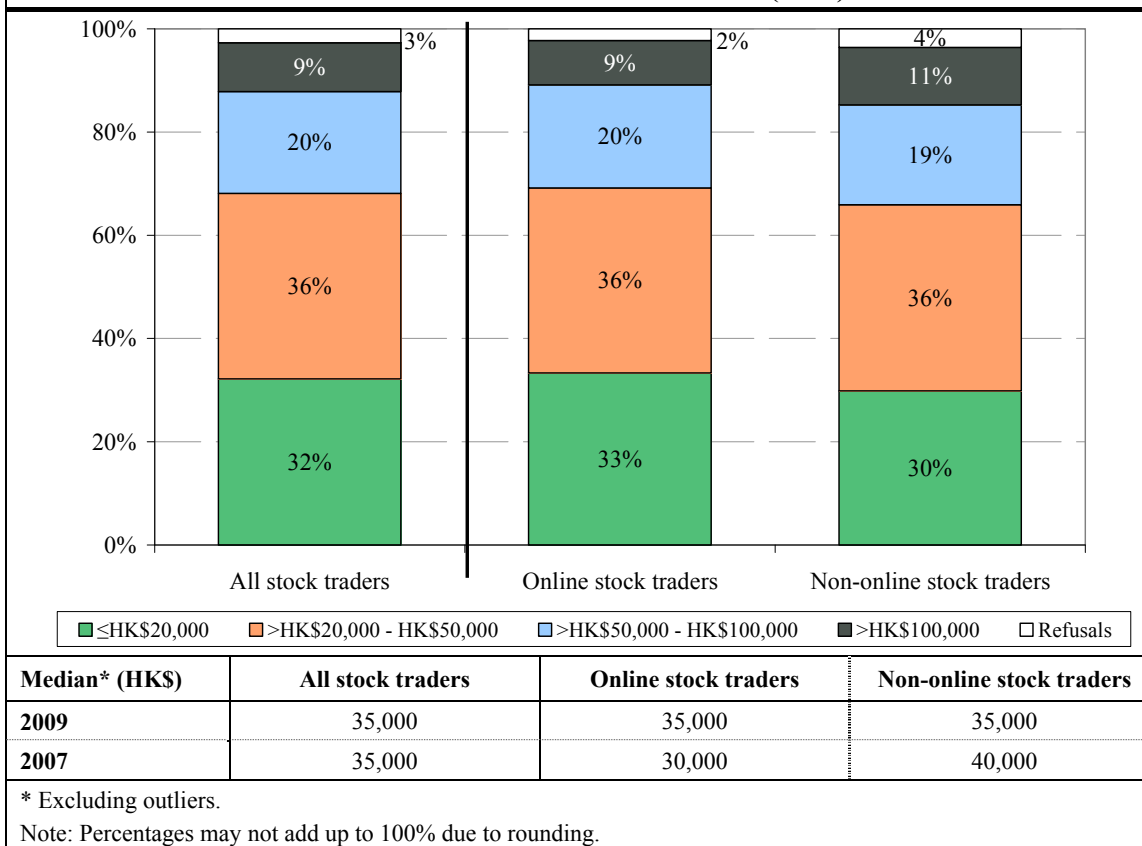


Figure 33. Implied total stock transaction value in the past 12 months by online and non-online stock traders (2009)

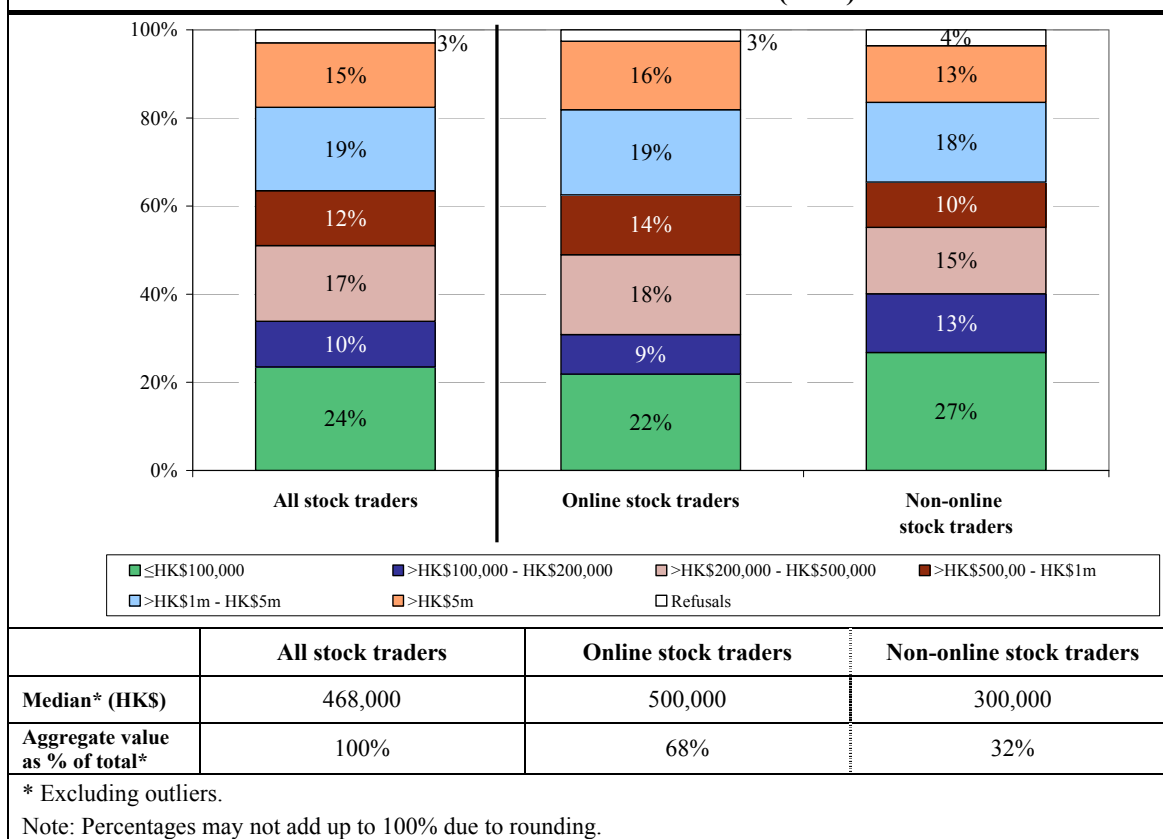


Figure 34. Number of derivatives transactions in the past 12 months by online derivatives traders (2002 – 2009)

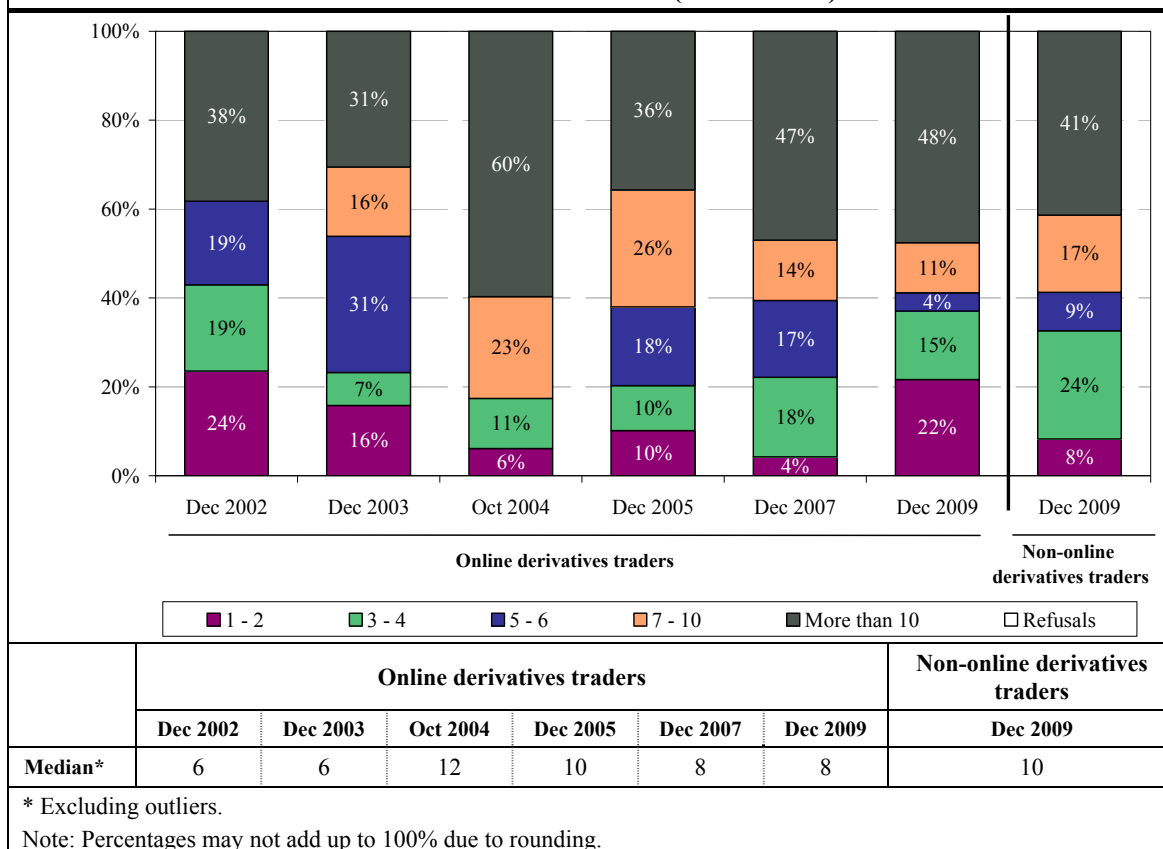


Figure 35. Average contract volume per derivatives transaction in the past 12 months by online and non-online derivatives traders (2009)

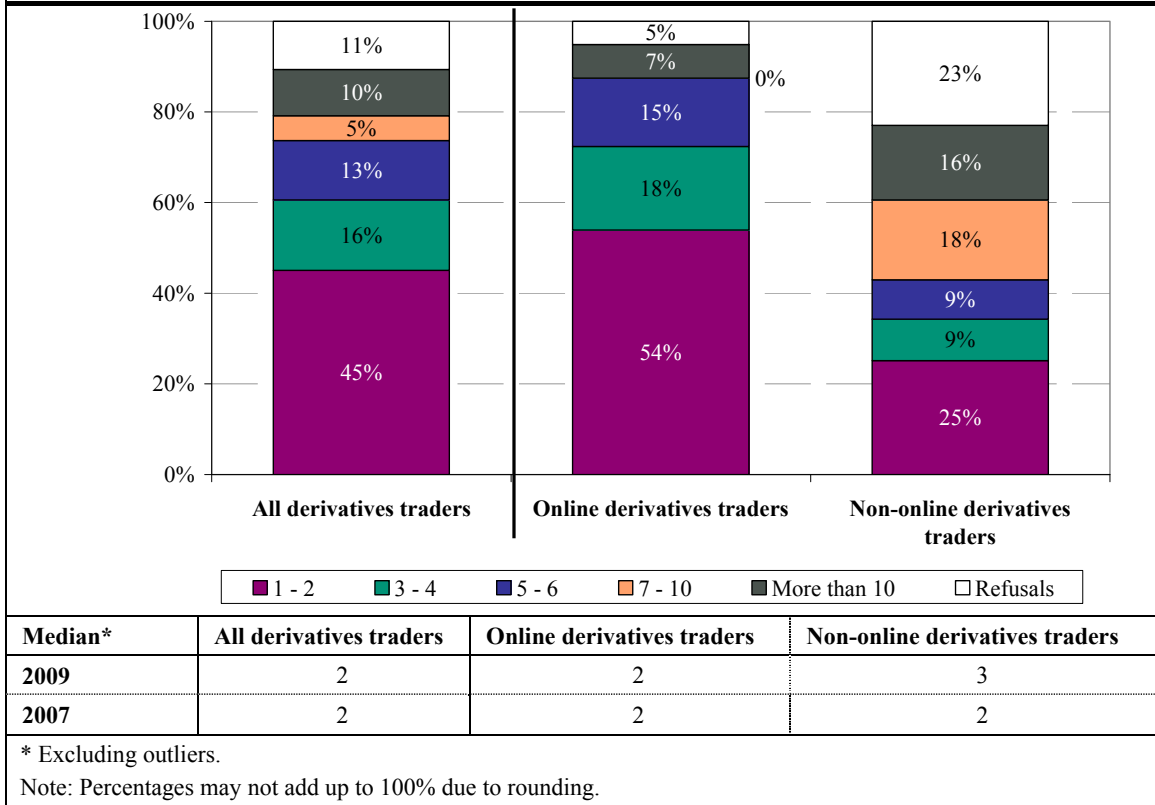
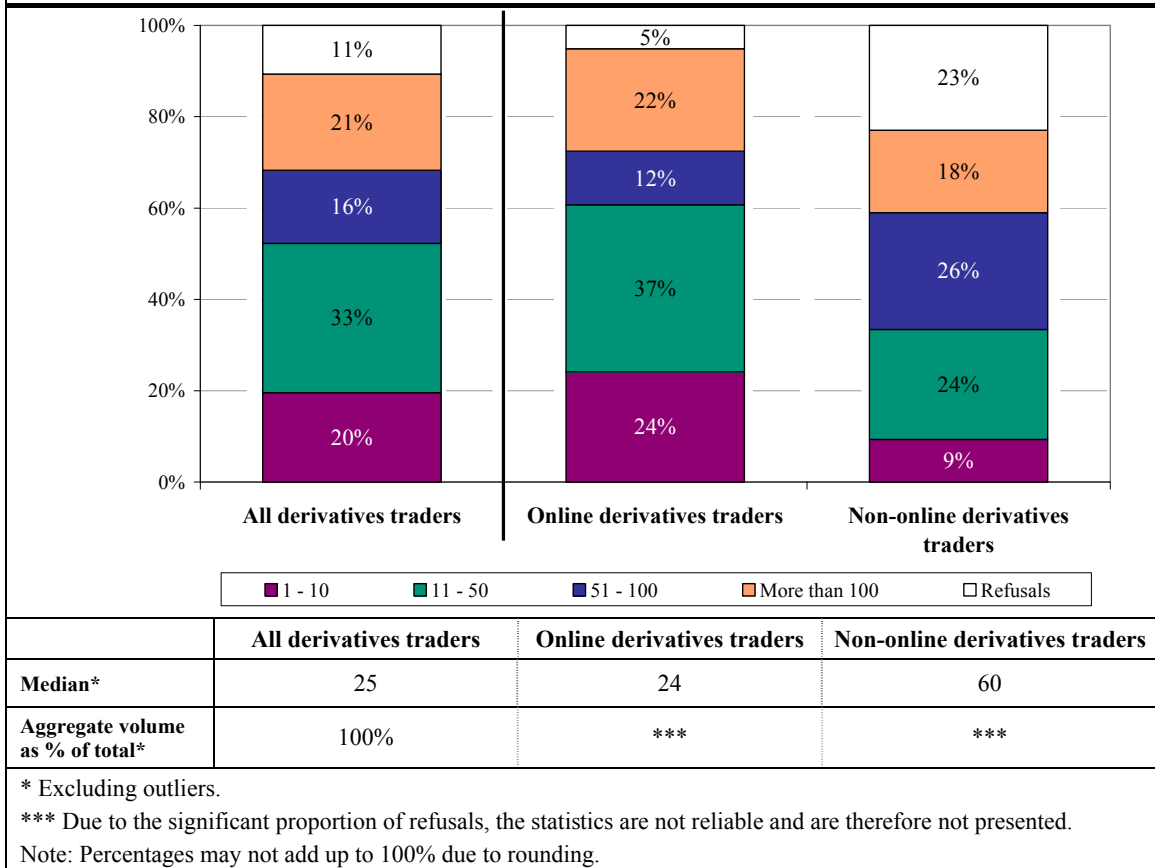


Figure 36. Implied total transaction value in the past 12 months by online and non-online derivatives traders (2009)



8. PERCEPTIONS OF THE HKEX MARKETS

In the survey, respondents were asked to give their degree of agreement to statements about the HKEx markets on a 7-point scale (7 being strongly agree and 1 being strongly disagree). The mean score for each market aspect was then calculated to compare their relative ratings. For easy understanding from graphical presentation, the answers were grouped into agree (score 5 – 7), neutral (score 4) and disagree (1 – 3).

- **Stock investors' perceptions** of the various aspects of the Hong Kong stock market were generally positive (all had mean scores above 4). They were most positive about “trading information available in the Hong Kong stock market” (mean score of 5.41) and least positive about “effective regulation of insider trading” (mean score of 4.13).
- **Stock traders and non-trading stock investors** had similarly positive views on the Hong Kong stock market. So were **frequent stock traders and non-frequent stock traders** on most of the attributes, except that non-frequent stock traders were more positive (with statistical significance) about “trading information available in the Hong Kong stock market”, “good disclosure of information by listed companies” and “effective regulation of insider trading” than frequent stock traders.
- Compared with equity-only stock investors, **warrant/CBBC investors** were less positive (with statistical significance) about “fair and orderly stock market”, “effective regulation of listed companies”, “good disclosure of information by listed companies” and “effective regulation of insider trading”.
- Compared with non-online stock traders, **online stock traders** were less positive (with statistical significance) about “effective regulation of listed companies”, “effective regulation of stock brokers”, “protection of stock investors” and “effective regulation of insider trading”.
- **Stock investors who traded mainly through broker firms** held more positive views (with statistical significance) on “effective regulation of stock brokers” than those who traded mainly through banks (a mean score of 4.90 vs 4.63).
- **Derivatives investors** were generally positive about the various aspects of the HKEx derivatives market (mean scores around 5).
 - They were most positive about “good trading information available in Hong Kong derivatives market” (mean score of 5.33) and least positive about “effective regulation of derivatives brokers” (mean score of 4.79);
 - Those **who traded mainly through broker firms** held more positive views on “effective regulation of derivatives brokers” than those who traded mainly through banks (a mean score of 4.95 vs 4.61).

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. Therefore, caution is needed in interpreting the findings on derivatives investors.

- **Retail investors'** perception of “HKEx gives priority to the public interest” was generally positive (mean scores above 4).

Note: 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 37. Perceptions of the Hong Kong stock market by *stock investors* (2009)

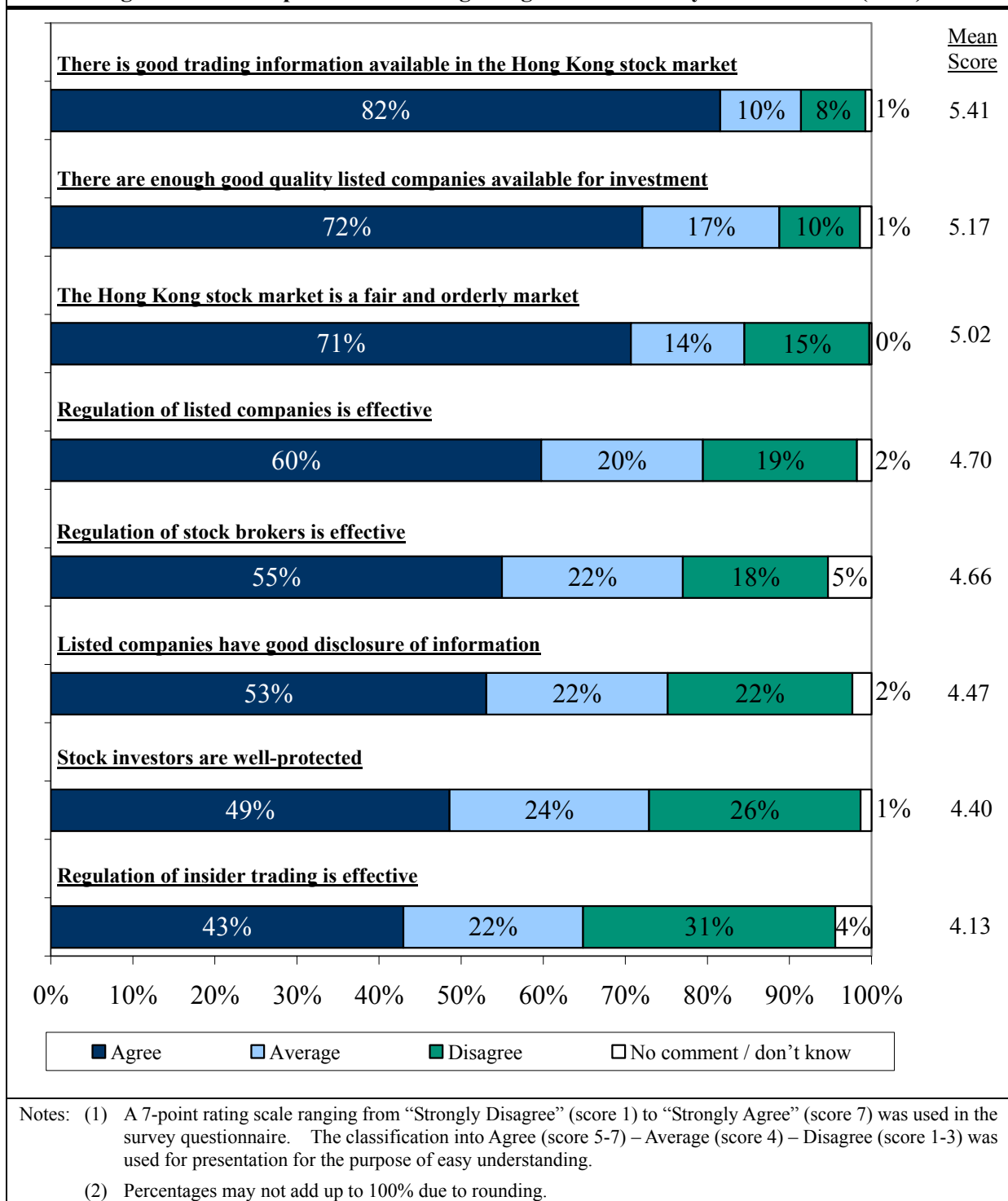
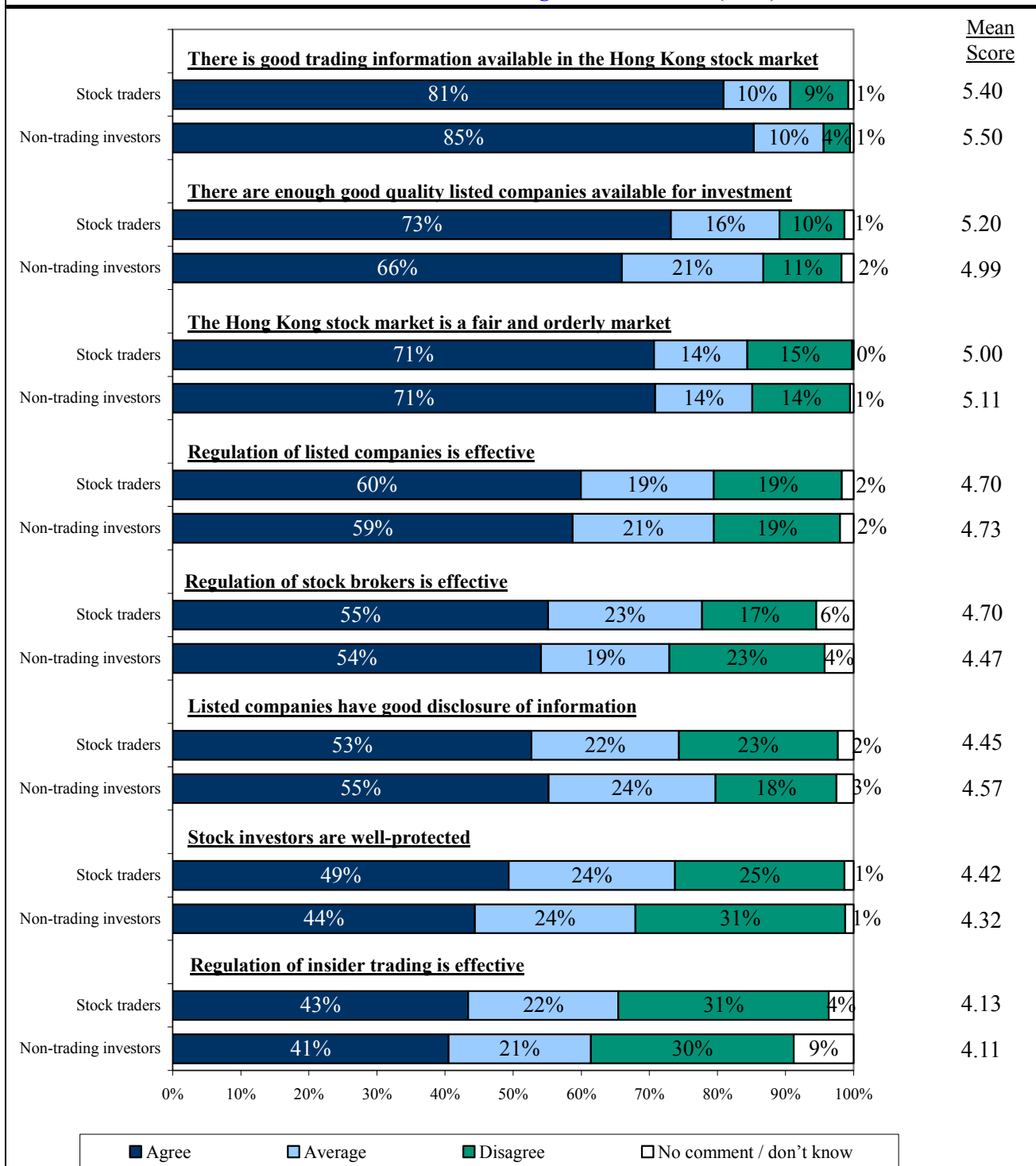


Figure 38. Comparison of perceptions of the Hong Kong stock market by stock traders and non-trading stock investors* (2009)



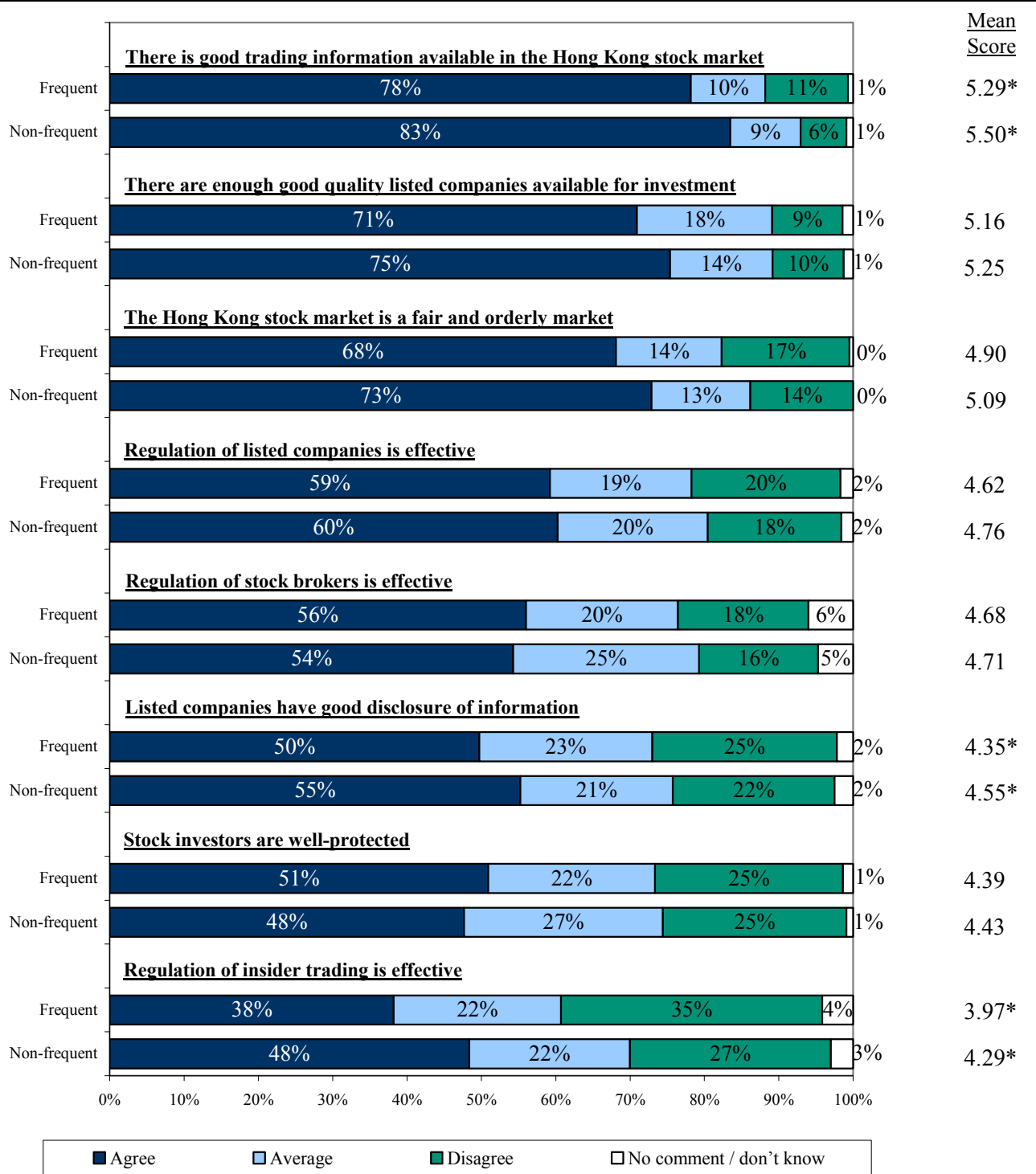
* Non-trading stock investors are stockowners who did not trade stocks in the 12-month period.

Notes: (1) A 7-point rating scale ranging from “Strongly Disagree” (score 1) to “Strongly Agree” (score 7) was used in the survey questionnaire. The classification into Agree (score 5-7) – Average (score 4) – Disagree (score 1-3) was used for presentation for the purpose of easy understanding.

(2) No statistically significantly difference was found between ratings of stock traders and non-trading stock investors on each of the issues.

(3) Percentages may not add up to 100% due to rounding.

Figure 39. Comparison of perceptions of the Hong Kong stock market by frequent stock traders and non-frequent stock traders[#] (2009)



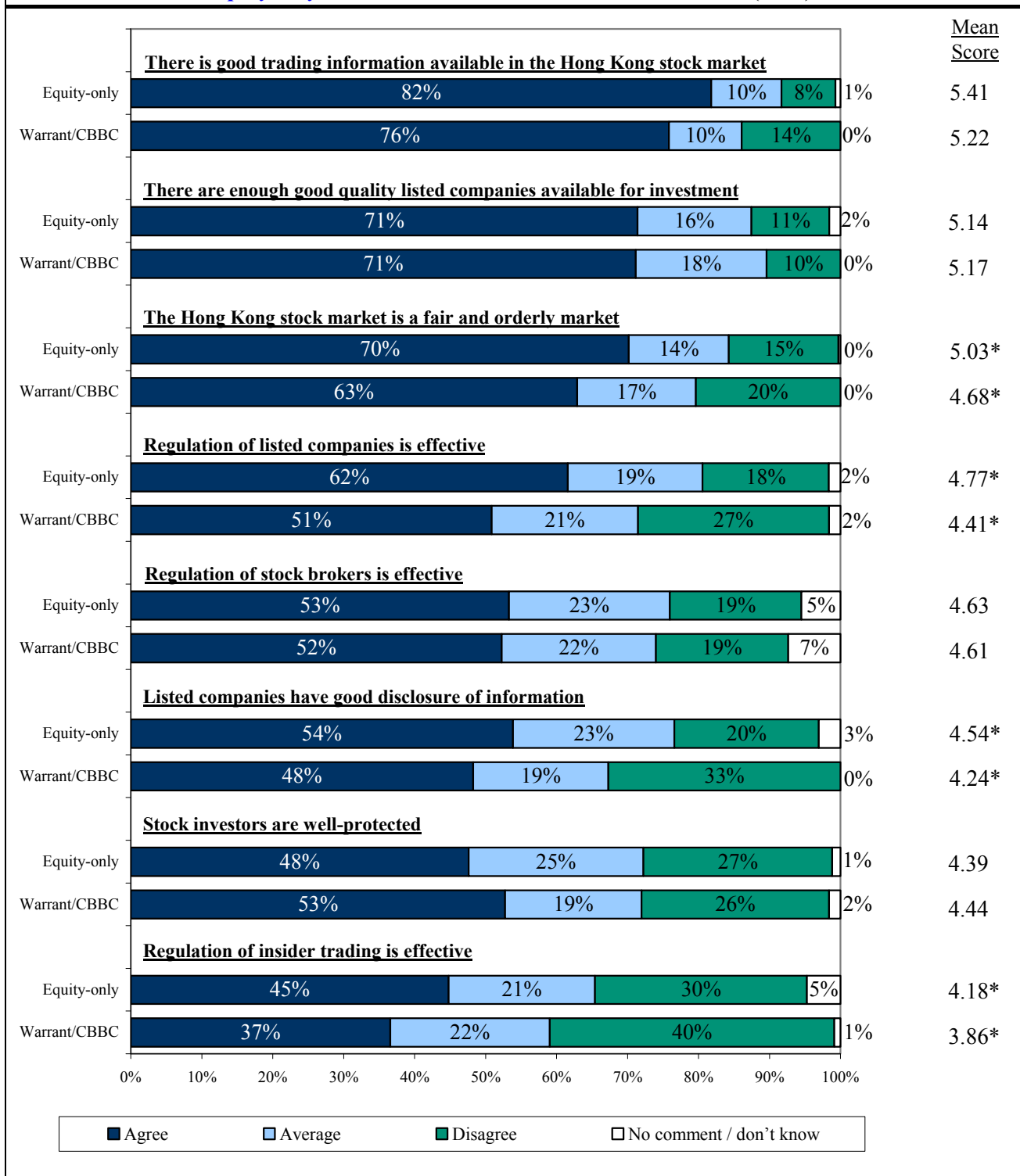
[#] Frequent stock traders are stock traders who traded more than 10 times in the 12-month period; non-frequent stock traders are stock traders who traded 1 to 10 times in the 12-month period.

* There is statistically significant difference between the pair of mean scores on a particular issue for frequent stock traders and non-frequent stock traders at 5% level.

Notes: (1) A 7-point rating scale ranging from “Strongly Disagree” (score 1) to “Strongly Agree” (score 7) was used in the survey questionnaire. The classification into Agree (score 5-7) – Average (score 4) – Disagree (score 1-3) was used for presentation for the purpose of easy understanding.

(2) Percentages may not add up to 100% due to rounding.

Figure 40. Comparison of perceptions of the Hong Kong stock market by equity-only stock investors and warrant/CBBC investors (2009)

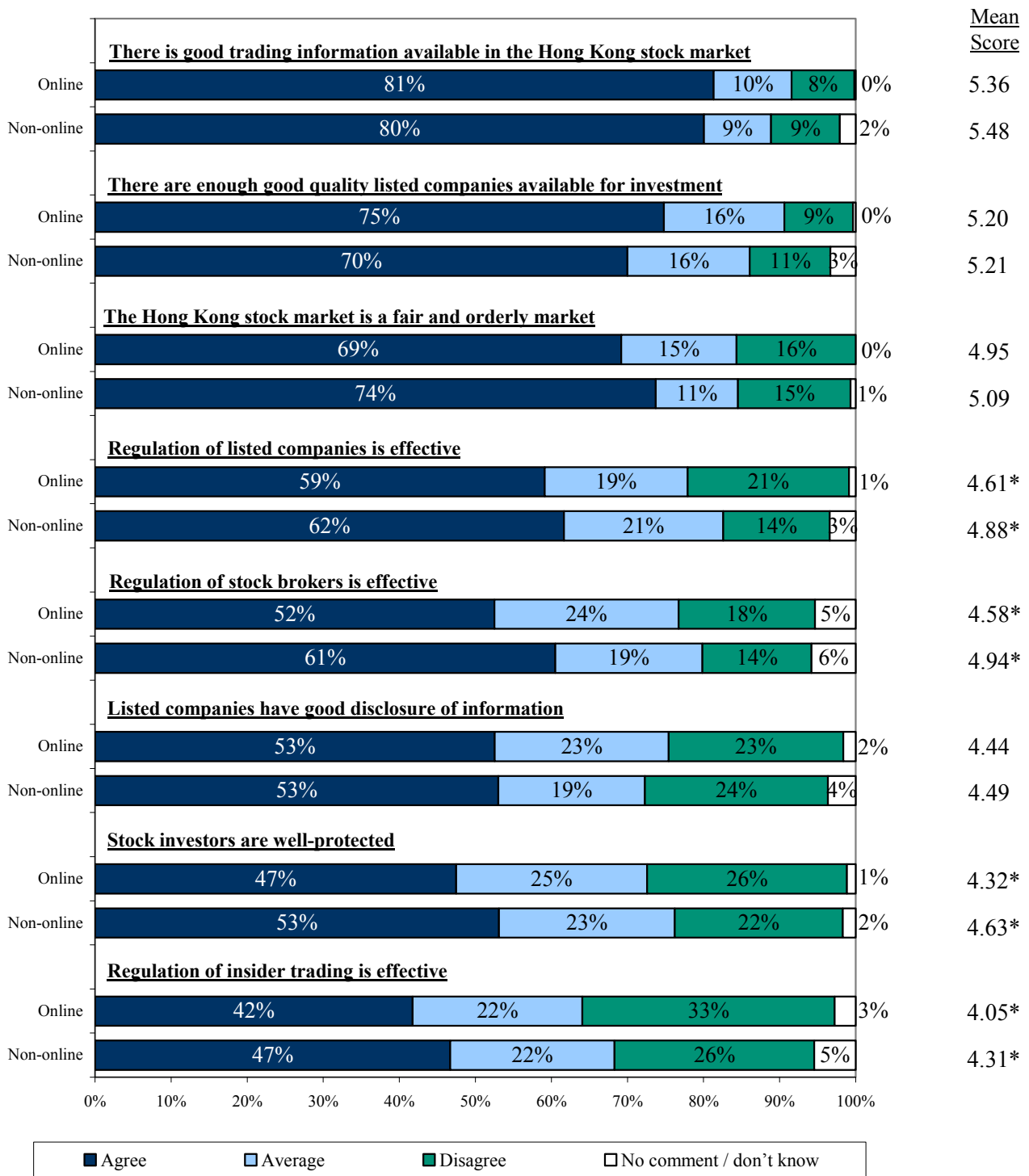


* There is statistically significant difference between the pair of mean scores on a particular issue for equity-only stock investors and warrant/CBBC investors at 5% level.

Notes: (1) A 7-point rating scale ranging from “Strongly Disagree” (score 1) to “Strongly Agree” (score 7) was used in the survey questionnaire. The classification into Agree (score 5-7) – Average (score 4) – Disagree (score 1-3) was used for presentation for the purpose of easy understanding.

(2) Percentages may not add up to 100% due to rounding.

Figure 41. Comparison of perceptions of the Hong Kong stock market by *online stock traders* and *non-online stock traders* (2009)

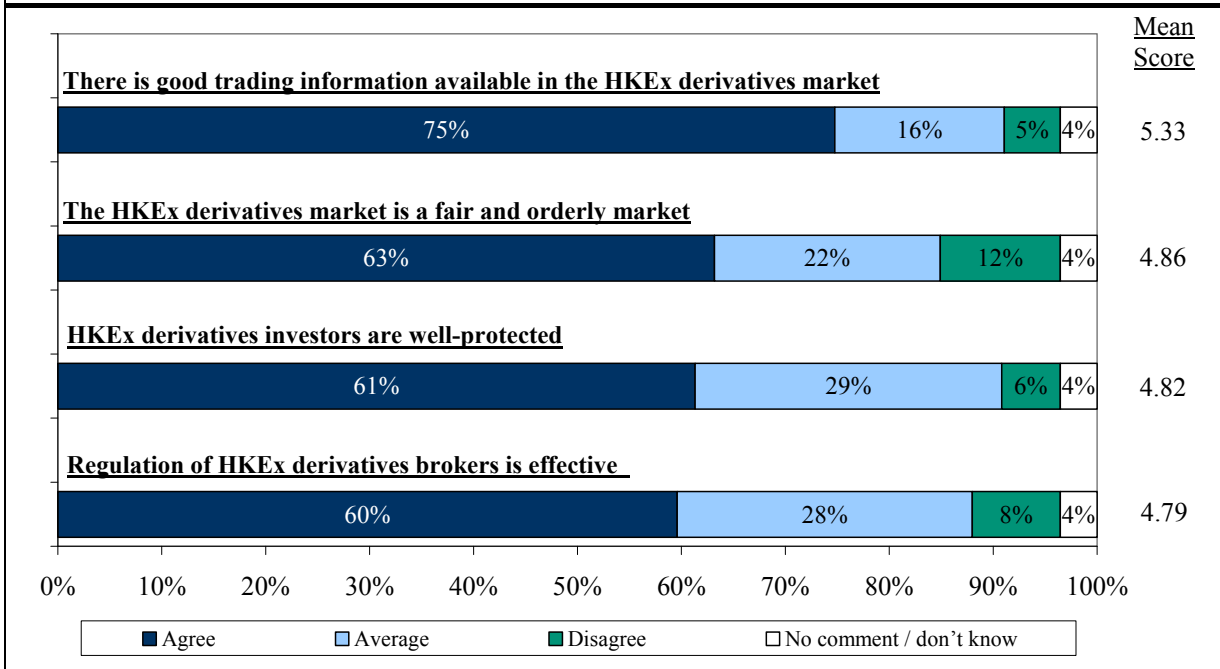


* There is statistically significant difference between the pair of mean scores on a particular issue for online stock traders and non-online stock traders at 5% level.

Notes: (1) A 7-point rating scale ranging from “Strongly Disagree” (score 1) to “Strongly Agree” (score 7) was used in the survey questionnaire. The classification into Agree (score 5-7) – Average (score 4) – Disagree (score 1-3) was used for presentation for the purpose of easy understanding.

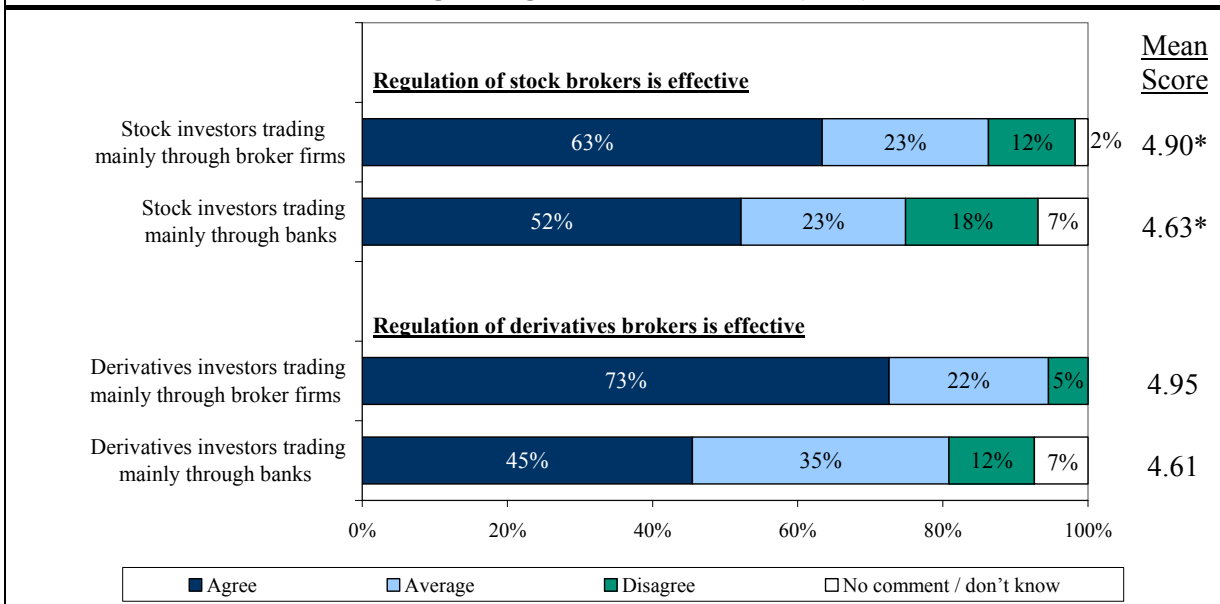
(2) Percentages may not add up to 100% due to rounding.

Figure 42. Perceptions of the HKEx derivatives market by derivatives investors (2009)



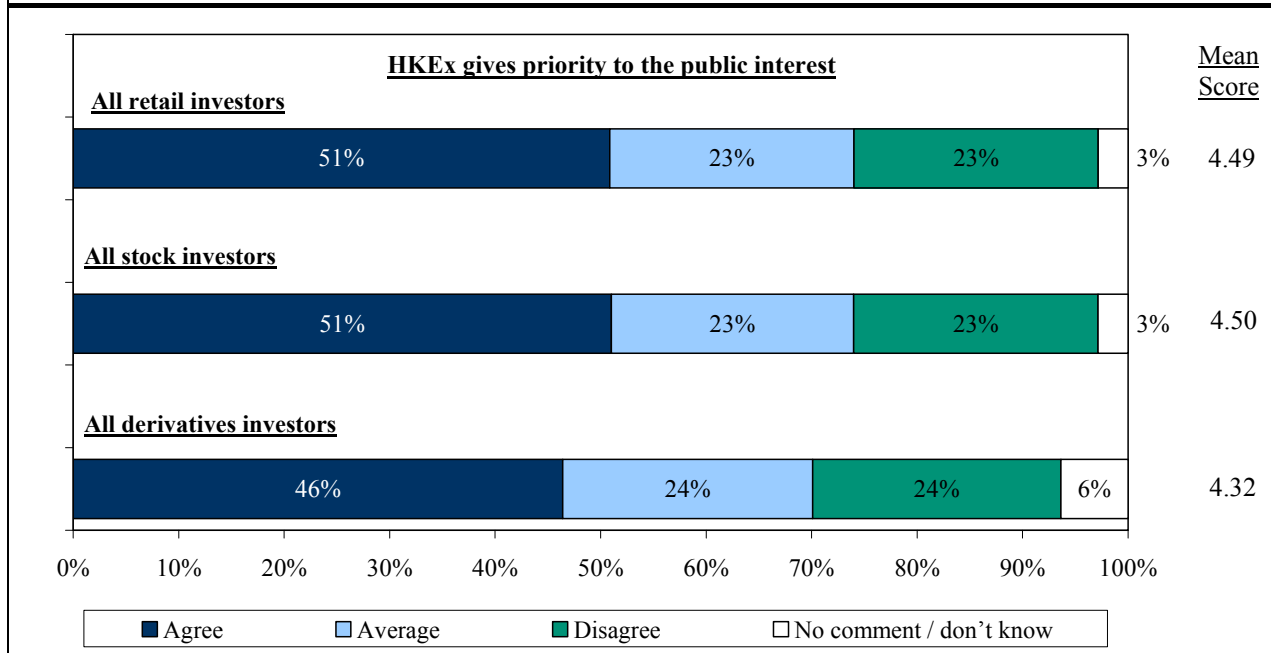
Notes: (1) A 7-point rating scale ranging from “Strongly Disagree” (score 1) to “Strongly Agree” (score 7) was used in the survey questionnaire. The classification into Agree (score 5-7) – Average (score 4) – Disagree (score 1-3) was used for presentation for the purpose of easy understanding.
 (2) The number of derivatives investors in the sample was small so that the percentage distribution is indicative only.
 (3) Percentages may not add up to 100% due to rounding.

Figure 43. Perceptions of the effectiveness of broker regulation by investors trading through different channels (2009)



* There is statistically significant difference between the pair of mean scores on a particular issue for stock investors trading mainly through broker firms and those trading mainly through banks at 5% level.
 Notes: (1) A 7-point rating scale ranging from “Strongly Disagree” (score 1) to “Strongly Agree” (score 7) was used in the survey questionnaire. The classification into Agree (score 5-7) – Average (score 4) – Disagree (score 1-3) was used for presentation for the purpose of easy understanding.
 (2) The number of derivatives investors in the sample was small so that the percentage distribution is indicative only.
 (3) Percentages may not add up to 100% due to rounding.

Figure 44. Perceptions of HKEx (2009)



- Notes: (1) A 7-point rating scale ranging from “Strongly Disagree” (score 1) to “Strongly Agree” (score 7) was used in the survey questionnaire. The classification into Agree (score 5-7) – Average (score 4) – Disagree (score 1-3) was used for presentation for the purpose of easy understanding.
- (2) The number of derivatives investors in the sample was small so that the percentage distribution is indicative only.
- (3) Percentages may not add up to 100% due to rounding.

GLOSSARY

Derivatives	Futures and options traded on HKEx.
CBBC investor	An individual who was holding CBBCs listed on HKEx at the time of interview OR had traded CBBCs in the 12 months preceding the interview.
CBBC-only investor	A stock investor who is a CBBC investor BUT NOT an equity investor, ETF investor or warrant investor.
Derivatives investor	An individual who was holding derivatives at the time of interview or had traded derivatives in the 12 months preceding the interview.
Derivatives-only investor	An individual who is a derivatives investor BUT NOT a stock investor.
Equity investor	An individual who was holding equities (ie shares of listed companies) listed or traded on HKEx at the time of interview OR had traded equities in the 12 months preceding the interview.
Equity-only investor	A stock investor who is an equity investor BUT NOT a CBBC investor, ETF investor or warrant investor.
ETF investor	An individual who was holding ETFs listed or traded on HKEx at the time of interview OR had traded ETFs in the 12 months preceding the interview.
ETF-only investor	A stock investor who is an ETF investor BUT NOT a CBBC investor, equity investor or warrant investor.
Non-investor	An individual who is neither a stock investor nor a derivatives investor.
Non-online derivatives trader¹⁵	A derivatives investor who is not an online derivatives trader.
Non-online stock trader	A stock trader who is not an online stock trader.
Non-trading stock investor	A stockowner who had not traded stocks in the 12 months preceding the interview.
Online derivatives trader¹⁵	A derivatives trader who had traded derivatives in the 12 months preceding the interview through electronic media such as the Internet, either always or sometimes.
Online stock trader	A stock trader who had traded stocks in the 12 months preceding the interview through electronic media such as the Internet, either always or sometimes.
Retail investor	An individual who is a stock investor AND/OR a derivatives investor.
Shareowner	A stock investor who was holding equities (ie shares of listed companies) listed or traded on HKEx at the time of the interview.
Stock investor	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.)
Stock trader	An individual who had traded stocks in 12 months preceding the interview.
Stock-and-derivatives investor	An individual who is a stock investor AND a derivatives investor.
Stock-only investor	An individual who is a stock investor BUT NOT a derivatives investor.
Stockowner	An individual who was holding stocks at the time of the interview.

¹⁵ Reflecting the nature of derivatives trading, all derivatives investors had traded derivatives in the 12 months preceding the interview.

Stocks	Equities (ie shares of listed companies), warrants, Callable Bull/Bear Contracts (CBBCs), Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs) and other cash market products listed or traded on HKEx.
Warrant investor	An individual who was holding warrants listed on HKEx at the time of interview OR had traded warrants in the 12 months preceding the interview.
Warrant-only investor	A stock investor who is a warrant investor BUT NOT a CBBC investor, equity investor or ETF investor.
Warrant/CBBC investor	A stock investor who is either a warrant investor or a CBBC investor.

APPENDIX 1. SURVEY METHODOLOGY

(1) Methodology

- The survey fieldwork was conducted from 13 November to 23 December 2009. 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 household sampling.
- The first stage was to find out the incidence of retail investors among the Hong Kong adult population. In this stage, 2,005 individuals were interviewed, of which 709 were stock investors and 20 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, 298 additional retail investors were interviewed; among them, 296 were stock investors and 17 were derivatives investors.
- In total, 2,303 individuals were interviewed, of which 1,005 were stock investors and 37 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, due to the small sample size of this investor type, the findings are subject to bigger possible error and certain detailed analysis on this investor type could not be performed.
- In assessing the retail participation in a certain product type, the respondent's familiarity with the product type would affect the reliability of his/her response to the question which would then be subject to error due to the respondent's misinterpretation. For example, ETFs might be misinterpreted by the respondent as general unit trusts or mutual funds not traded on the exchange. A misclassification of investor type by product would affect subsequent findings on the characteristics of this type of investor. This type of error would be controlled to some extent by clarification by the interviewer at the time of the interview but would not be totally avoided in a survey of the general public.
- Some responses were perceptions or estimates of respondents that might deviate from the truth, such as value of stockholdings, percentage of stockholding value attributed by listed company shareholdings, frequency of trading and trading value or volume.
- Respondents might intentionally not tell the truth on sensitive questions such as income level. Certain questions on stockholding and trading behavior which were rather demanding on the respondent's memory may have relatively high rate of refusals. These would lower the reliability of the results.

(3) Comparability with past surveys

- The definition of “Hong Kong stocks” includes shares, warrants, Exchange Traded Funds (ETFs) since the 2001 survey, Real Estate Investment Trusts (REITs) since 2005 and Callable Bull/Bear Contracts (CBBCs) in 2007. 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.
- The incidence of retail participation in CBBCs was newly assessed in the 2009 survey. The number and the value of listed company shareholdings, last assessed in the 2001 survey, were assessed again in the 2009 survey.
- Minor amendments were made to the definition of online stock traders in surveys before 2002. 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.
- The sampling method used in previous surveys was Kish grid (ie random selection of eligible members within a household) and that since 2007 was random household sampling (ie the first eligible member answering the call). Such a change would have some impact on the comparability of the findings due to sampling error. Nevertheless, the survey method gives an acceptable sampling error for major statistics (see Appendix 3).
- For opinion questions, the rating scale was changed to a 7-point scale since 2007, where 7 means strongly agree and 1 means strongly disagree; while an ordinal scale of 5 categories from strongly agree to strongly disagree was used in previous surveys.

APPENDIX 2. RESPONDED SAMPLE BY INVESTOR TYPE

Responded type	Number in responded sample ¹⁶
Retail investors	1,010
<u>Stock investors</u>	1,005
Stock-only investors	973
Stock-and-derivatives investors	32
Stockowners	937
Stock traders	851
Online stock traders	563
<u>Derivatives investors</u>	37
Derivatives-only investors	5
Stock-and-derivatives investors	32
Derivatives traders	37
Online derivatives traders	25
Non-investors	1,293
Total sample	2,303

¹⁶ Since the survey adopts a two-stage sampling process and a weighting process on each respondent type for projection onto the overall population, the proportion of respondents for the respective investor types in the responded sample should not be directly regarded as their respective participation rates.

APPENDIX 3. PRECISION OF SURVEY FINDINGS

Investor type	Proportion	Relative error ¹⁷	95% confidence interval
<i>Among adult population</i>			
Stock investors	35.0%	2.8%	33.0% – 36.9%
Stockowners	32.6%	3.0%	30.6% – 34.5%
Stock-only investors	33.8%	2.9%	31.9% – 35.8%
Stock-and-derivatives investors	1.1%	19.7%	0.7% – 1.5%
Stock traders	29.7%	3.2%	27.8% – 31.5%
Derivatives investors	1.3%	18.3%	0.8% – 1.7%
<i>Among stock investors</i>			
Equity investors	98.1%	0.4%	97.2% – 98.9%
Warrant investors	10.2%	9.4%	8.3% – 12.0%
CBBC investors	7.0%	11.5%	5.4% – 8.6%
ETF investors	24.4%	5.5%	21.8% – 27.1%
Online stock traders	56.8%	2.8%	53.7% – 59.8%
<i>Among derivatives investors</i>			
Online derivatives traders	69.1%	11.0%	54.2% – 84.0%

Investor type	Estimated population ('000)	Relative error ¹⁷	95% confidence interval ('000)
<i>Stock investors</i>			
Stock investors	2,059	2.8%	1,944 – 2,174
Stockowners	1,917	3.0%	1,805 – 2,030
Stock-only investors	1,994	2.9%	1,880 – 2,107
Stock-and-derivatives investors	65	19.7%	40 – 90
Equity investors	2,019	0.4%	2,002 – 2,037
Warrant investors	210	9.4%	171 – 248
CBBC investors	144	11.5%	112 – 177
ETF investors	503	5.5%	448 – 558
Stock traders	1,747	3.2%	1,637 – 1,857
Online stock traders	1,169	2.8%	1,106 – 1,232
<i>Derivatives investors</i>			
Derivatives investors	75	18.3%	48 – 102
Online derivatives traders	52	11.0%	41 – 63

¹⁷ The relative errors were derived by assuming simple random sampling. The results would also be subject to non-sampling errors due to other factors such as null response and misinterpretation.

Table C. Relative errors of the projected number of stock traders by trading channel			
Type of trading channel	Estimated adult population ('000)	Relative error¹⁸	95% confidence interval ('000)
<i>Mainly through banks</i>	<i>1,284</i>	<i>2.1%</i>	<i>1,232 – 1,336</i>
- banks only	1,219	2.3%	1,165 – 1,273
- usually through banks	65	17.5%	43 – 87
<i>Mainly through broker firms</i>	<i>452</i>	<i>5.8%</i>	<i>401 – 503</i>
- broker firms only	338	7.0%	292 – 384
- usually through broker firms	114	13.0%	85 – 143

Table D. Relative errors of the projected number of derivatives traders by trading channel			
Type of trading channel	Estimated adult population ('000)	Relative error¹⁸	95% confidence interval ('000)
<i>Mainly through banks</i>	<i>36</i>	<i>17.1%</i>	<i>24 – 48</i>
- banks only	36	17.1%	24 – 48
- usually through banks	Nil	n.a.	n.a.
<i>Mainly through broker firms</i>	<i>39</i>	<i>15.8%</i>	<i>27 – 51</i>
- broker firms only	33	18.5%	21 – 45
- usually through broker firms	6	56.5%	0 – 12

n.a.: not applicable

— END —

¹⁸ The relative errors were derived by assuming simple random sampling. The results would also be subject to non-sampling errors due to other factors such as null response and misinterpretation.