



SECURITIES AND  
FUTURES COMMISSION  
證券及期貨事務監察委員會

## Stock Investor Survey

Hong Kong  
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# C O N T E N T S

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## **1. Executive Summary**

From September 2005 to February 2006, the Securities and Futures Commission (SFC) engaged the Centre for Corporate Governance and Financial Policy of the Hong Kong Baptist University to conduct the Stock Investor Survey. The Survey studied behaviour of stock investors in choosing an intermediary, IPO (initial public offering) investing, picking stocks and making trading decisions; plus share of wallet and trading results.

In the study, stock investors were defined as those Hong Kong adults aged 18 or above who had traded Hong Kong, Mainland or overseas stocks in the last two years. 500 stock investors completed a questionnaire. 430 of them were among the 1,511 stock investors identified in the SFC's Retail Investor Survey 2005<sup>1</sup>. The remaining 70 stock investors were identified from calls made to a number of randomly selected residential phone numbers.

### **Retail participation and demographic profile of stock investors**

- The SFC's Retail Investor Survey 2005 estimated that 28.3% of Hong Kong adults aged 18 or above had traded Hong Kong stocks and 4.1% had traded Mainland or overseas stocks.
- Of the 500 stock investors participated in the Stock Investor Survey, 52.4% were male; 58.3% were aged between 30 and 49; and 46.7% had received tertiary education or above.

### **Choice of intermediary**

- In this sample of stock investors, 53.4% had traded through banks only, 25.4% through brokerages only and 21.2% traded through both banks and brokerages.
- Size and financial soundness (81.6%), convenience and flexibility of dealing procedures (68.8%) and commissions and fees (50.2%) were the top three factors that stock investors considered in choosing an intermediary.

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<sup>1</sup> Conducted from September to November 2005, the Retail Investor Survey 2005 estimated retail participation rates, level of financial understanding and perceived usefulness of the SFC's investor education work. In that survey, retail investors were defined as adults aged 18 or above who had traded SFC-regulated investment products or Mainland/overseas stocks during the last two years.

- Quicker order execution (48.8%), more free value-added services such as provision of real-time stock quotes or market/stock commentaries (46.6%) and more transparent fees and charges (38.8%) were the three main suggestions put forward by stock investors for the intermediaries to improve their securities trading services.

### **On-line trading**

- 36% of stock investors had traded stocks on-line during the last two years (“on-line traders”). They enjoyed on-line trading because it allowed them to place orders anytime and anywhere they wish (78.9% of on-line traders) and monitor their accounts more easily (53.9%).
- Those who were hesitant to trade on-line were mainly worried about the system security and stability (72.5% of non-on-line traders). 22.8% of non-on-line traders described themselves as computer illiterates.

### **Types of accounts owned**

- Overall speaking, 90.4% owned cash accounts only, 1.4% owned margin accounts only and 8.2% owned both cash and margin accounts. A larger proportion of margin clients was found among those who had traded through brokerages alone (3.1% vs. Banks only:0.4% and Both: 1.9%).
- 49.6% of stock investors knew that “a margin account client is usually required to authorize his brokerage to re-pledge shares in his margin account to secure the brokerage’s bank borrowings”. 43.4% were aware of the pooling risk<sup>2</sup> of margin accounts. Those who had traded through both brokerages and banks or had traded on margin had a higher awareness of the re-pledging arrangement and the pooling risk associated with margin accounts.

### **IPO Investing**

- 82% of stock investors had subscribed for shares in an IPO (“IPO share subscribers”).

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<sup>2</sup> If the brokerage becomes insolvent, the bank may sell the stocks of margin clients, which have been pooled and re-pledged by the brokerage for bank borrowings, in order to discharge the brokerage’s indebtedness. In such a case, a margin client may not be able to get back all the stocks that have been re-pledged. This is commonly known as pooling risk.

- Before buying a newly listed company's stock, IPO share subscribers considered the company's prospects (81.7% of IPO share subscribers) and its current financial position (54.4%). Some IPO share subscribers also considered other external factors such as comments in the media (46.1%) and market response to the IPO (42.4%).
- 44.9% of IPO share subscribers read the prospectus before subscribing for shares in an IPO ("prospectus readers"). 71.5% of IPO share subscribers regarded the prospectus important.
- Among those who did not read prospectus ("non-prospectus readers"), 82.3% commented that the document was too long and 57.1% found it too legalistic. 52.2% referred to newspapers or radio/TV programs for information about the newly listed company.
- Significantly more stock investors in Hong Kong favoured a hardcopy prospectus (69% of prospectus readers). Similar proportion of stock investors preferred a CD-ROM version (21.7%) and an electronic version on the website of the Hong Kong Exchanges and Clearing Ltd. ("HKEx") or the respective listed company (20.1%). 69% of IPO share subscribers said that they possessed the knowledge and equipment for reading the prospectus on a CD-ROM.
- Company's business (77.7% of prospectus readers) was the most popular section read in a prospectus, followed by summary (62%), financial information (60.9%) and risk factors (58.7%). The expected timetable of the IPO (12%) was the least popular.
- White forms were the most popular means of submitting IPO applications. 52.9% of IPO share subscribers usually used white forms, while 35.6% were yellow form users, i.e. they instructed the intermediaries to subscribe on their behalf. 11.5% made their own applications through the Internet.
- Those IPO share subscribers who opted for white forms normally wished to keep physical scrips in their own names (71.4% of white form users) and avoid paying handling fees to the intermediaries (45.2%).
- Yellow form users preferred asking the intermediaries to apply on their behalf because the allotted shares would be directly credited to their accounts at the intermediaries (73.3% of yellow form users). Moreover, 43.8% would sell the allotted shares on the first trading day.

- Those who made on-line submissions adopted this approach mainly for its convenience (97.9% of those who applied through the Internet).
- 16.3% of IPO share subscribers said that they usually sold the allotted IPO shares on the first trading day. More yellow form users and those who owned margin accounts only would sell their IPO shares that quickly.
- When deciding whether to sell the allotted shares quickly, IPO share subscribers generally compared the trading price to the issue price (58.3%) and considered the market sentiment (56.6%). 4.9% were concerned about interest costs as they subscribed for the IPO shares on margin.

### **Choosing Stocks & Making Trading Decisions**

- Over 60% of stock investors knew the business nature (76% of stock investors), price trend (67.2%) and prospects (65.0%) of a listed company before buying its shares. They were less knowledgeable of the company's management (27%) and treatment of minority shareholders (16.4%).
- While checking price trend was popular, stock investors appeared to emphasize more on company fundamentals than technical indicators in evaluating a stock. Relatively fewer stock investors kept track of turnover (29.6%) and knew about the technical indicators such as 20-day and 50-day moving averages (15.6%) of the respective stock.
- When making trading decisions, nearly half of the stock investors referred to financial reports (51%) and company announcements (48.4%) of the listed company. They also heeded stock commentators' recommendations on TV, radio or newspapers (48.2%) and paid attention to media reports (47.6%).

### **Share of wallet**

- 14.6% of stock investors had spent HK\$50,000 or less in trading stocks. Most (48.4%) had invested approximately HK\$50,001 to HK\$250,000. 16.8% fell in the range of HK\$250,001 to HK\$500,000. Around one-fifth (20.2%) had a stock portfolio exceeding HK\$500,000.

- On average, stock investors had allocated 28.5% of their investment money on Hong Kong stocks as of September 2005. By computing similar average proportions for other asset classes, a typical portfolio was constructed for the 500 stock investors researched in the survey. Apart from Hong Kong stocks, the portfolio largely comprised managed funds (excluding MPF investments) (7.2%), others such as insurance, foreign currencies (10.6%), while 45.1% was cash. Other instruments such as warrants, leveraged foreign exchange contracts, Mainland or overseas stocks, bonds, structured products and other derivatives such as futures/options contracts traded in Hong Kong, had a weight of less than 2% each.

### **Trading results**

- 53.4% of stock investors expressed that they made profits from stock investments in a defined six-month period, 21.4% suffered losses, 0.2% broke even and 25% said that they did not know or were not sure.
- Among those who made profits from stock investments, their gains ranged from 1% to 80% of capital invested with an average of 13.3%. In contrast, loss-making stock investors suffered a larger loss of 20.8% on average with the lowest and highest loss of 1% and 100% respectively.

## 2. Retail Participation and Demographic Profile of Stock Investors

The SFC's Retail Investor Survey 2005 estimated that 28.3% of Hong Kong adults aged 18 or above had traded Hong Kong stocks and 4.1% had traded Mainland or overseas stocks during the last two years.

This Stock Investor Survey invited 500 stock investors to complete a self-administered questionnaire. In the sample of respondents, 52.4% were male; 58.3% were between the age of 30-49; and 46.7% had received tertiary education or above (Table 1).

**Table 1: Demographic Profile of Stock Investors**

	<u>Stock investors (%)</u>
<b><u>Gender</u></b>	
Male	52.4
Female	47.6
<b><u>Age group</u></b>	
18-29	13.6
30-39	26.0
40-49	32.3
50-59	19.5
60 or above	8.5
<i>Median</i>	<i>45</i>
<b><u>Education</u></b>	
Primary	5.3
Lower secondary	9.1
Upper secondary	29.9
Matriculation	8.9
Tertiary: Non-degree	12.8
Tertiary: Degree or above	33.9

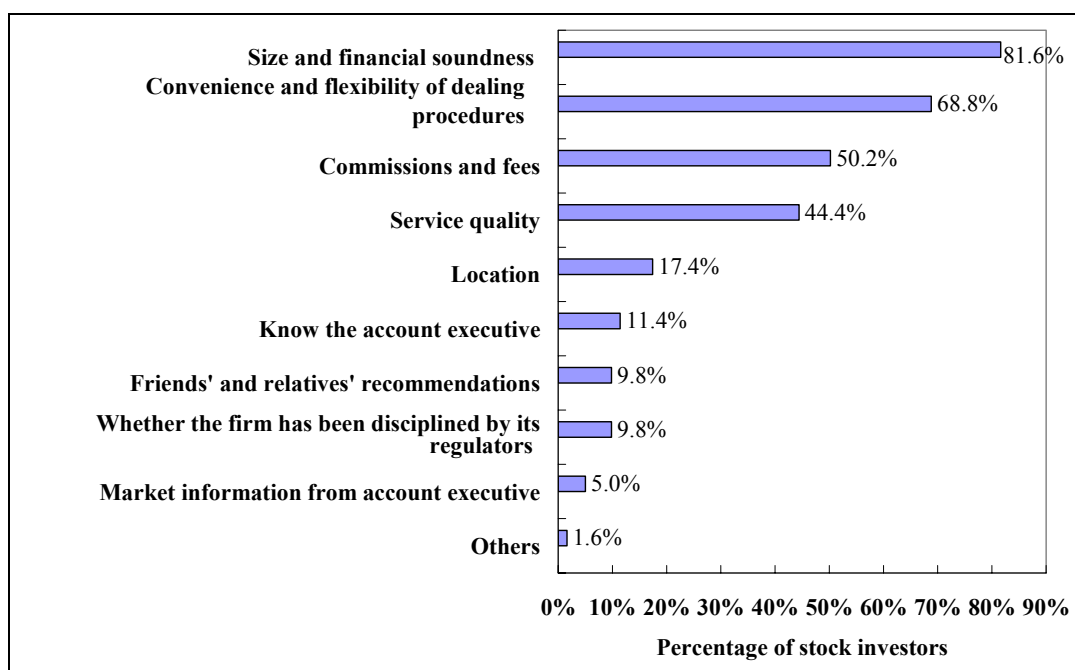
*(Base: All answers excluding refusal cases)*

### 3. Choice of Intermediary

Of the 500 stock investors who participated in this survey, 53.4% had traded through banks only, 25.4% through brokerages only and 21.2% through both banks and brokerages.

When asked to indicate the three most important factors that they considered in choosing an intermediary, 81.6% of stock investors selected size and financial soundness, followed by convenience and flexibility of dealing procedures (68.8%), commissions and fees (50.2%), service quality (44.4%), location (17.4%) and whether they knew the account executive (11.4%) (Figure 1).

**Figure 1: Factors Considered in Choosing an Intermediary**



*Note: Respondents were asked to select three most important factors.*

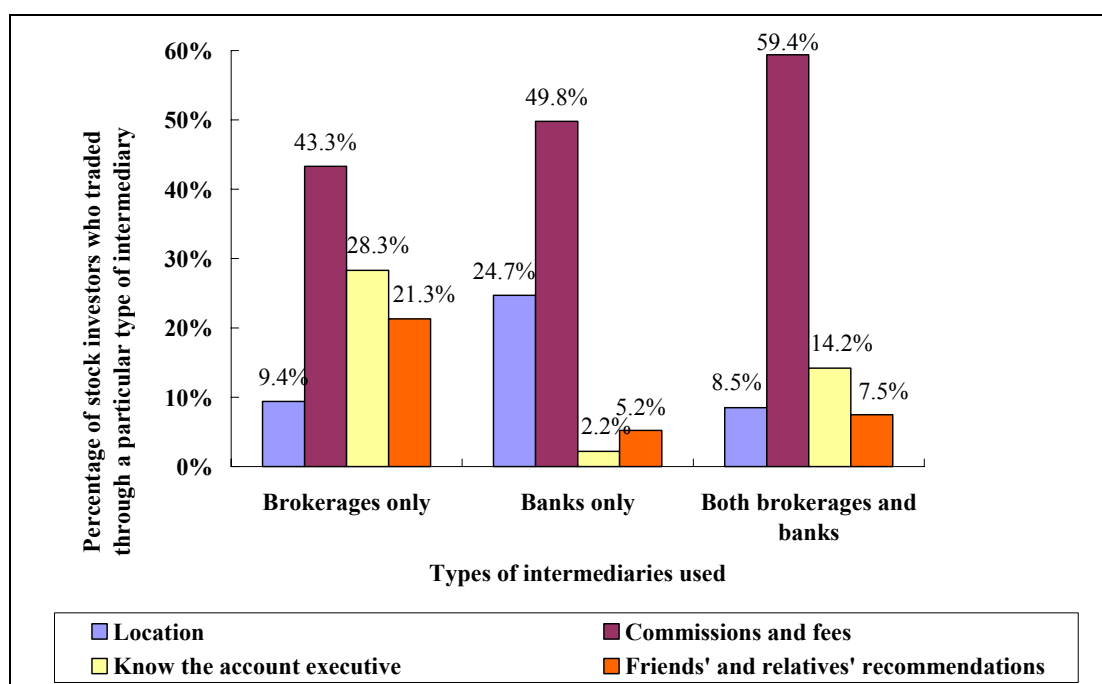
*(Base: All stock investors)*

Clients of different intermediaries had dissimilar views on the importance of certain factors in selecting a securities trading services provider (Figure 2):

- *Location:* Those who had traded through banks only considered this factor more important (Banks only: 24.7% vs. Brokerages only: 9.4% and Both: 8.5%).
- *Commissions and fees:* Stock investors who had traded through both brokerages and banks were more cost conscious (Both: 59.4% vs. Brokerages only: 43.3% and Banks only: 49.8%).

- *Know the account executive:* Higher proportion of brokerage clients considered close relationship with the account executive important (Brokerages only: 28.3% vs. Banks only: 2.2% and Both: 14.2%)
- *Friends' and relatives' recommendations:* Brokerage clients were more influenced by personal comments of their friends and relatives in selecting their securities trading services providers (Brokerages only: 21.3% vs. Banks only: 5.2% and Both: 7.5%).

**Figure 2: Factors Considered in Choosing an Intermediary by Types of Intermediaries Used**



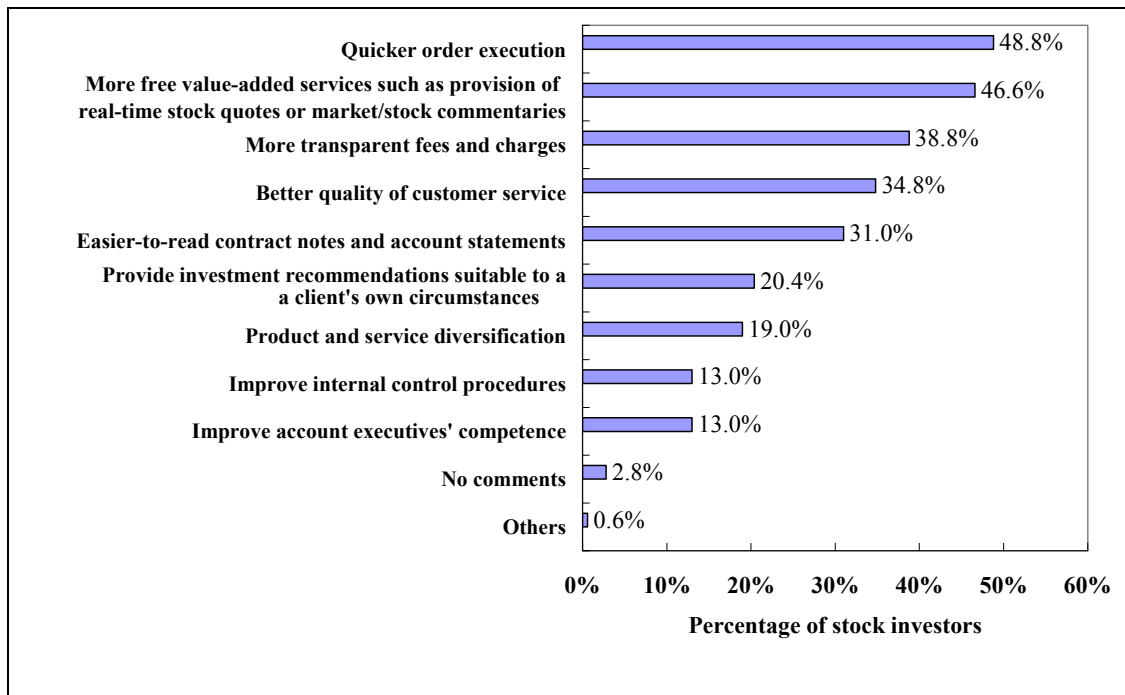
*Note: Respondents were asked to select three most important factors*

*(Base: All stock investors who traded through a particular type of intermediary)*

### **Ways to Improve Securities Trading Services**

48.8% of stock investors suggested quicker order execution. 46.6% requested more free value-added services such as provision of real-time stock quotes or market/stock commentaries. 38.8% called for better disclosure of fees and charges (Figure 3).

**Figure 3: Ways to Improve Securities Trading Services**



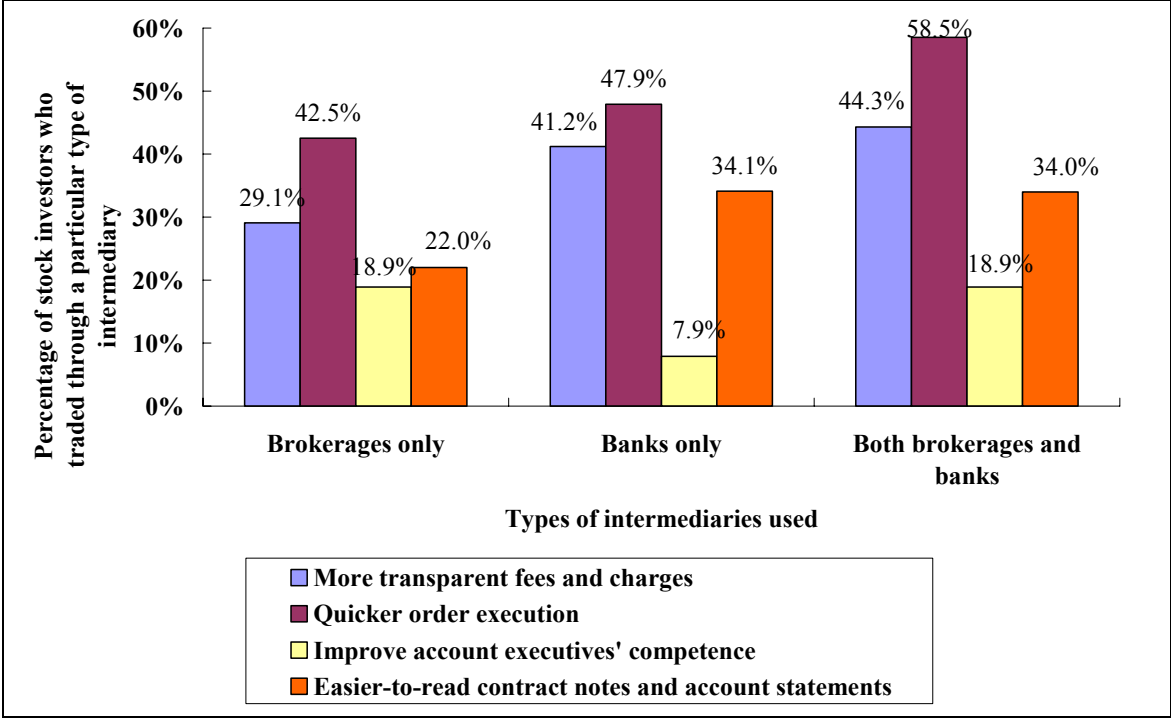
*Note: Multiple answers allowed.*

*(Base: All stock investors)*

Clients of different intermediaries emphasized different ways for intermediaries to improve their services (Figure 4):

- *More transparent fees and charges:* Higher proportion of bank clients and those who had traded through both banks and brokerages advocated more transparency in fees and charges. (Banks only: 41.2%, Both: 44.3% vs. Brokerages only: 29.1%)
- *Quicker order execution:* More stock investors who had traded through brokerages and banks wanted quicker order execution (Both: 58.5% vs. Brokerages only: 42.5% and Banks only: 47.9%).
- *Improve account executives' competence:* More brokerage clients and those who traded through both brokerages and banks pinpointed that their account executives' competence needed improvement (Brokerages only: 18.9%, Both: 18.9% vs. Banks only: 7.9%).
- *Easier-to-read contract notes and account statements:* Compared with brokerage clients, a higher percentage of bank clients and those who had traded through both brokerages and banks suggested intermediaries to issue more user-friendly transaction documents (Banks only: 34.1%, Both: 34% vs. Brokerages only: 22%).

**Figure 4: Ways for Services Improvements by Types of Intermediaries Used**



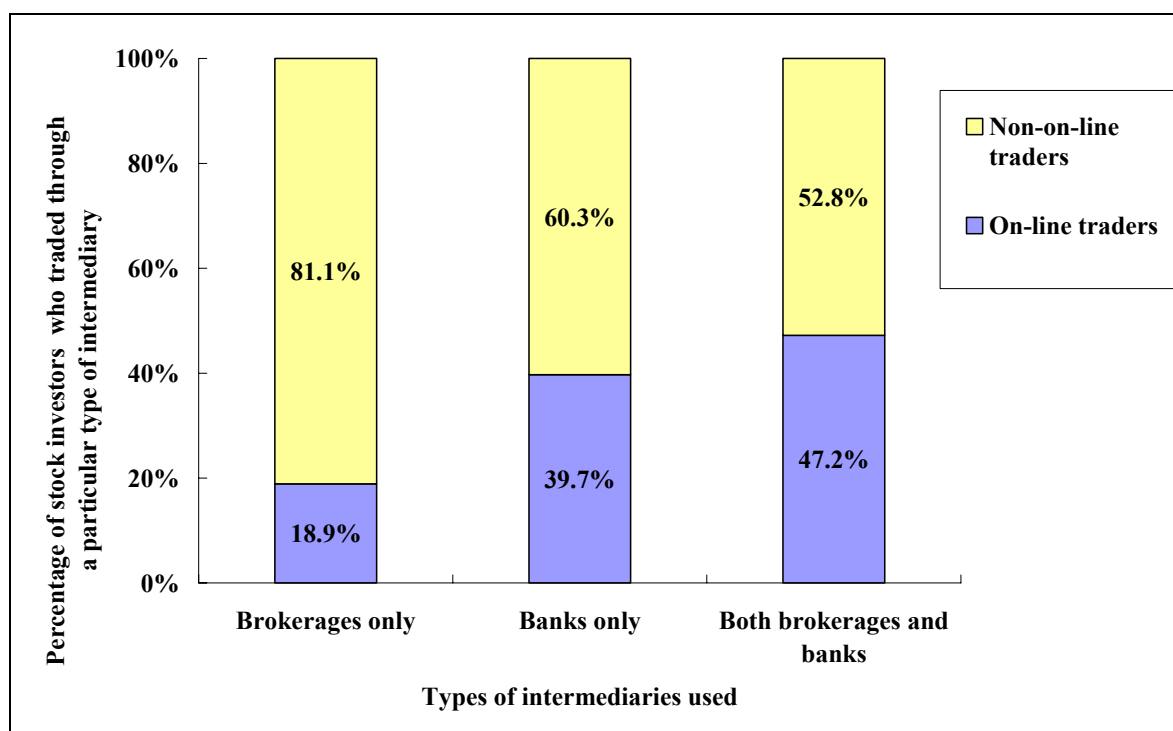
Note: Multiple answers allowed.

(Base: All stock investors who traded through a particular type of intermediary)

## 4. On-line Trading

Out of the 500 stock investors participated in the survey, 36% had traded stocks on-line during the last two years (“on-line traders”). Those who had traded through both banks and brokerage had a higher propensity to conduct stock transactions over the web (Figure 5).

**Figure 5: On-line Trading vs. Types of Intermediaries Used**



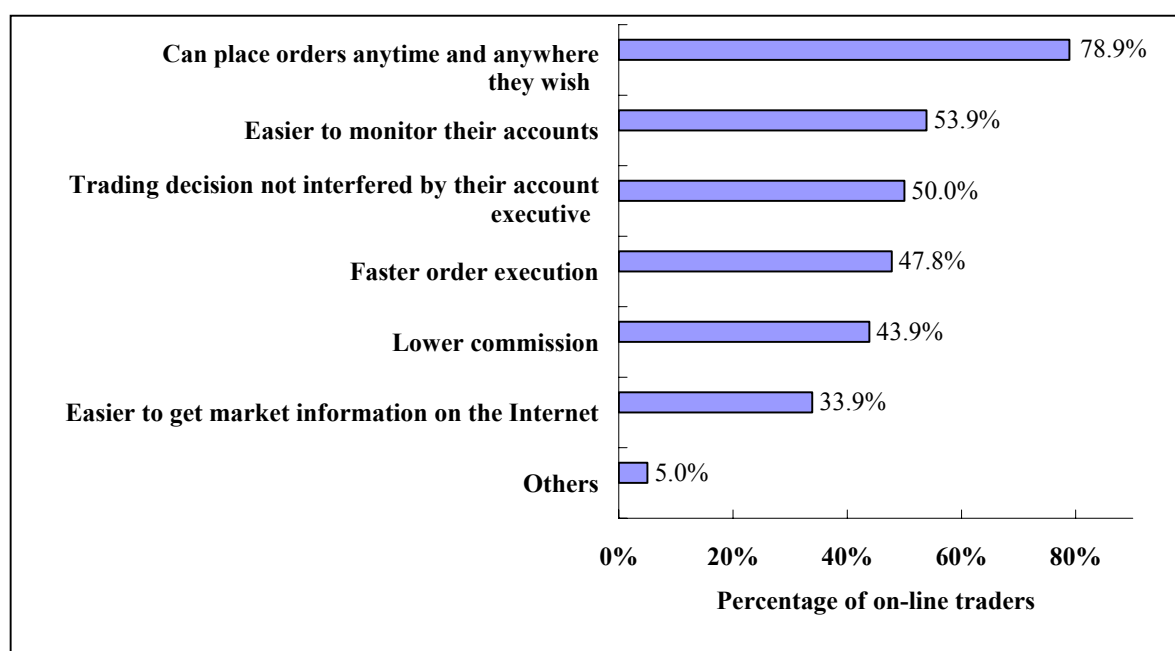
*(Base: All stock investors who traded through a particular type of intermediary)*

### **Rationale Behind Trading and Not Trading On-line**

On-line traders were asked to tell why they traded on-line. The most popular reason was the convenience of on-line trading that enabled them to place orders anytime and anywhere they wish (78.9%), followed by easier to monitor their accounts (53.9%), no interference by their account executives on their trading decisions (50.0%) and faster order execution (47.8%) (Figure 6).

Compared with clients of other intermediaries, significantly more bank clients had tried on-line trading because of the ease of placing orders wherever and whenever they wish (Banks only: 86.8% vs. Brokerages only: 62.5% and Both: 70%) and faster order execution (Banks only: 55.7% vs. Brokerages only: 41.7% and Both: 34.0%).

**Figure 6: Reasons for Trading On-line**



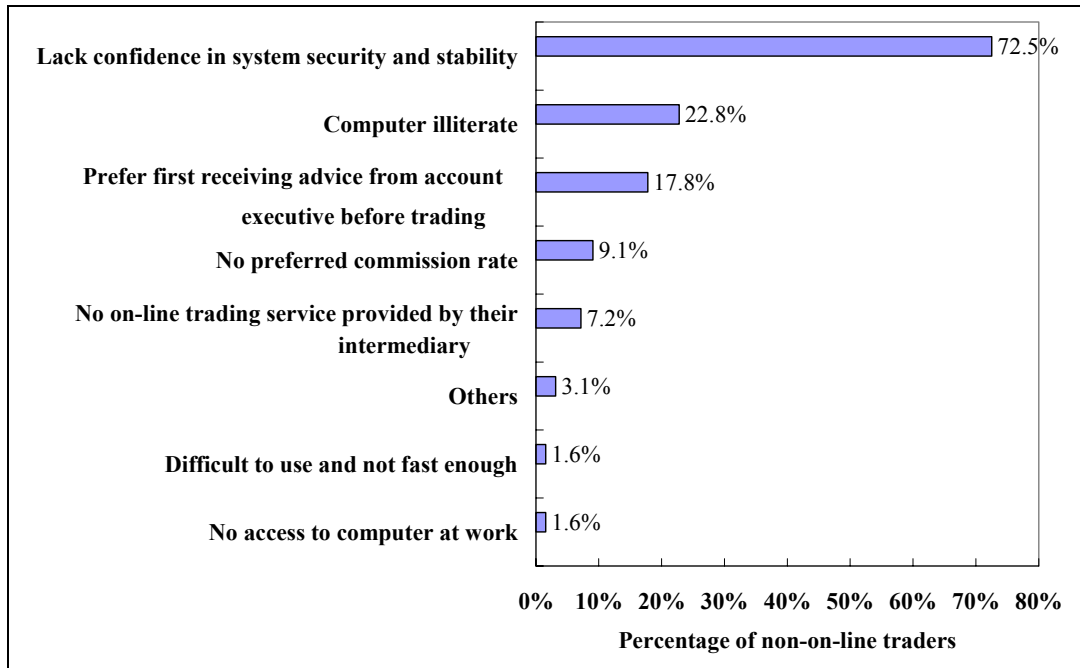
*Note: Multiple answers allowed.*

*(Base: All on-line traders)*

On the other hand, among those who had not traded stocks on-line in the last two years (“Non-on-line traders”), 72.5% were worried about the system security and stability and 22.8% described themselves as computer illiterates (Figure 7).

Out of the reasons listed in Figure 7, a higher proportion of brokerage clients cited the reasons “they preferred first receiving advice from their account executives before trading” (Brokerages only: 27.2% vs. Banks only: 12.4% and Both: 16.1%) and “no such service provided” (Brokerages only: 11.7% vs. Banks only: 4.3% and Both: 7.1%) to explain why they had never experienced on-line trading.

**Figure 7: Reasons for Not Trading On-line**



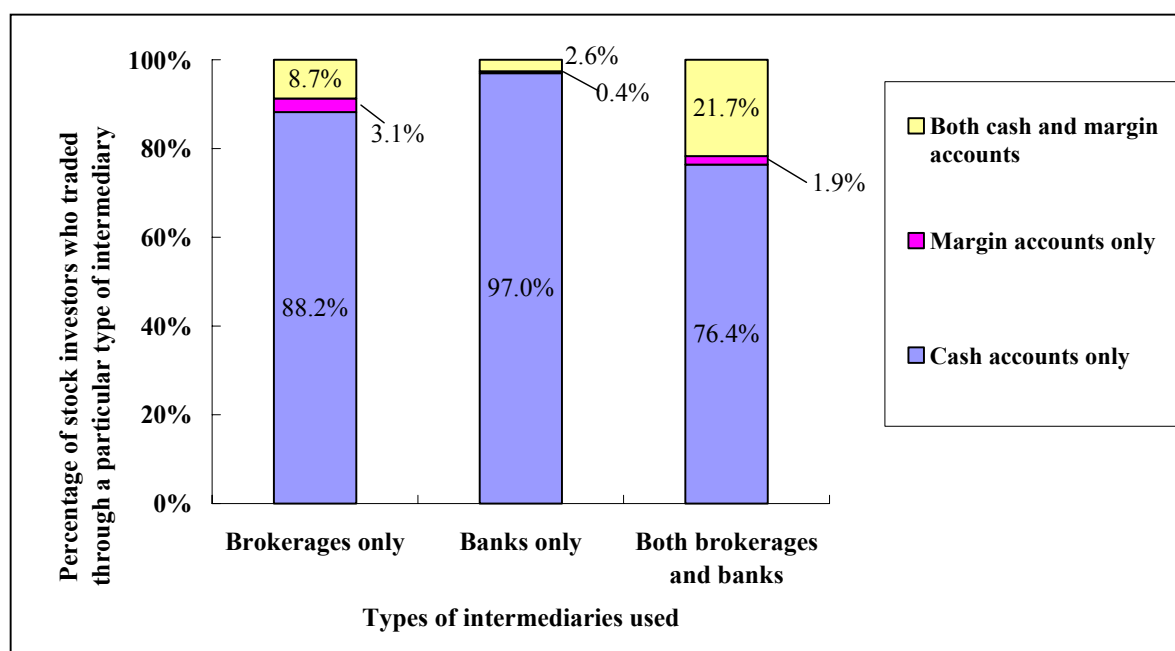
*Note: Multiple answers allowed.*

*(Base: All non-on-line traders)*

## 5. Types of Accounts Owned

Overall speaking, out of the 500 stock investors, 90.4% owned cash accounts only, whereas 1.4% owned margin accounts only and 8.2% owned both types of accounts. As shown in the Figure 8 below, a higher proportion of brokerage clients (3.1%) owned margin accounts than those who had traded through banks only (0.4%) or traded through both brokerages and banks (1.9%).

**Figure 8: Types of Accounts Owned vs. Types of Intermediaries Used**

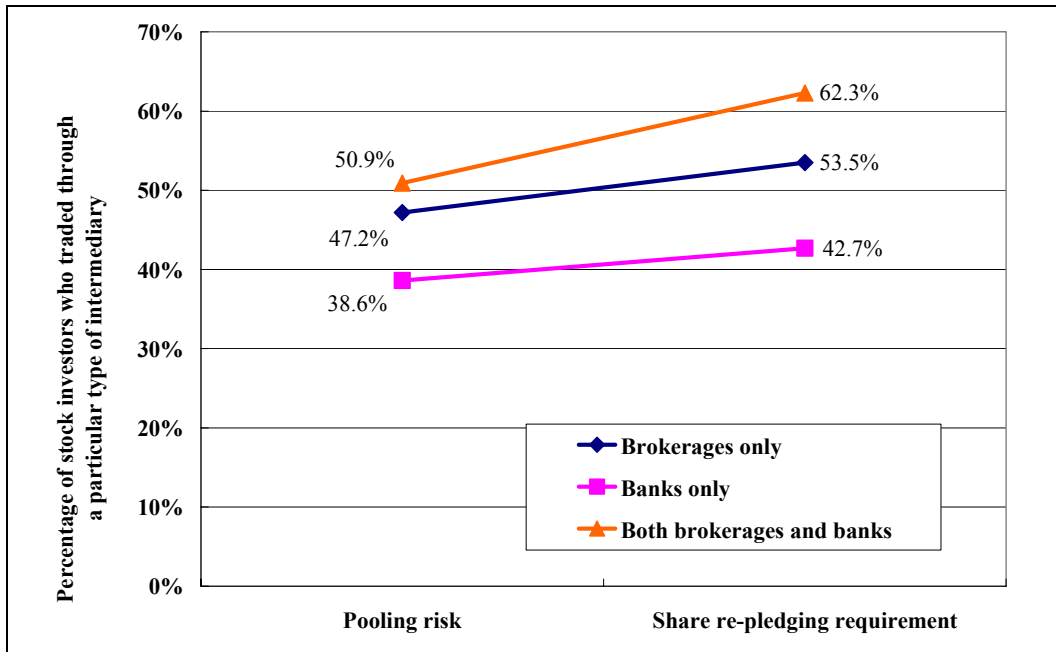


*(Base: All stock investors who traded through a particular type of intermediary)*

49.6% of stock investors knew that “a margin account client is usually required to authorize his brokerage to re-pledge shares in his margin account to secure the brokerage’s bank borrowings”. 43.4% were aware of the pooling risk of margin accounts.

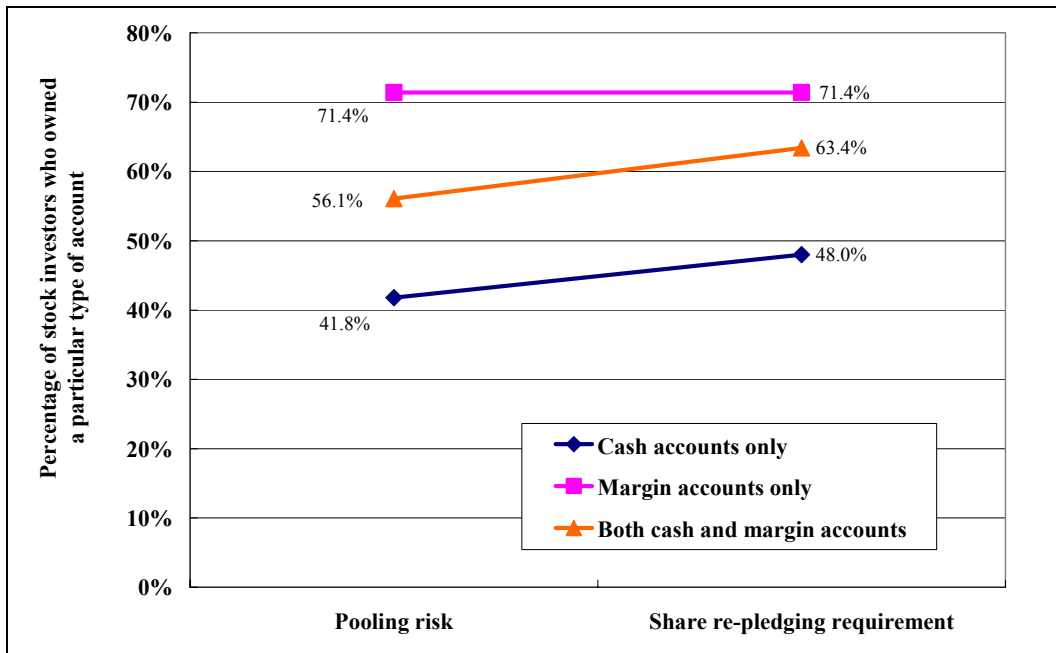
As shown in Figure 9, brokerage clients and those who had traded through both brokerages and banks had a better understanding of the share re-pledging requirement and pooling risk of margin accounts than bank clients. Also, those who had traded on margin had higher awareness of the re-pledging arrangement and the subsequent pooling risk associated with margin accounts (Figure 10).

**Figure 9: Understanding of Share Re-pledging Requirement and Pooling Risk of Margin Accounts by Types of Intermediaries Used**



(Base: All stock investors who traded through a particular type of intermediary)

**Figure 10: Understanding of Share Re-pledging Requirement and Pooling Risk of Margin Accounts by Types of Accounts Owned**



(Base: All stock investors who owned a particular type of account)

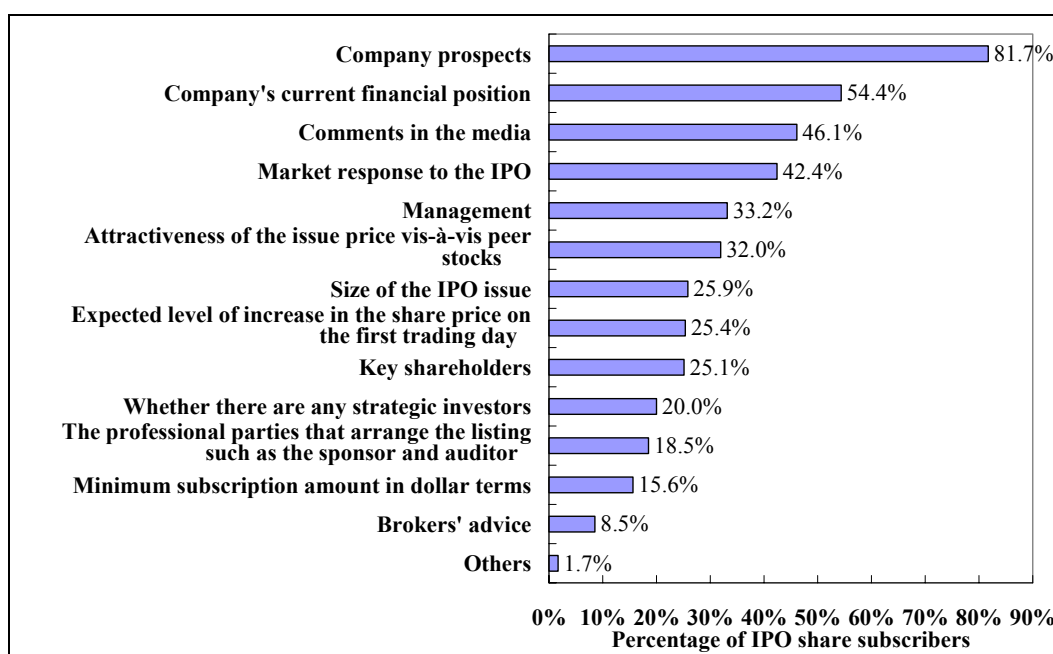
## 6. IPO Investing

In the sample of 500 stock investors, 82% had subscribed for shares in an IPO (“IPO share subscribers”).

### Factors Considered before Buying IPO Shares

Prospects of the newly listed company (81.7% of IPO share subscribers) was the most popular factor considered before buying IPO shares, followed by the company’s current financial position (54.4%), comments in the media (46.1%) and market response to the IPO (42.4%). Only 8.5% approached their brokers for advice (Figure 11).

**Figure 11: Factors to Consider in IPO Investing**

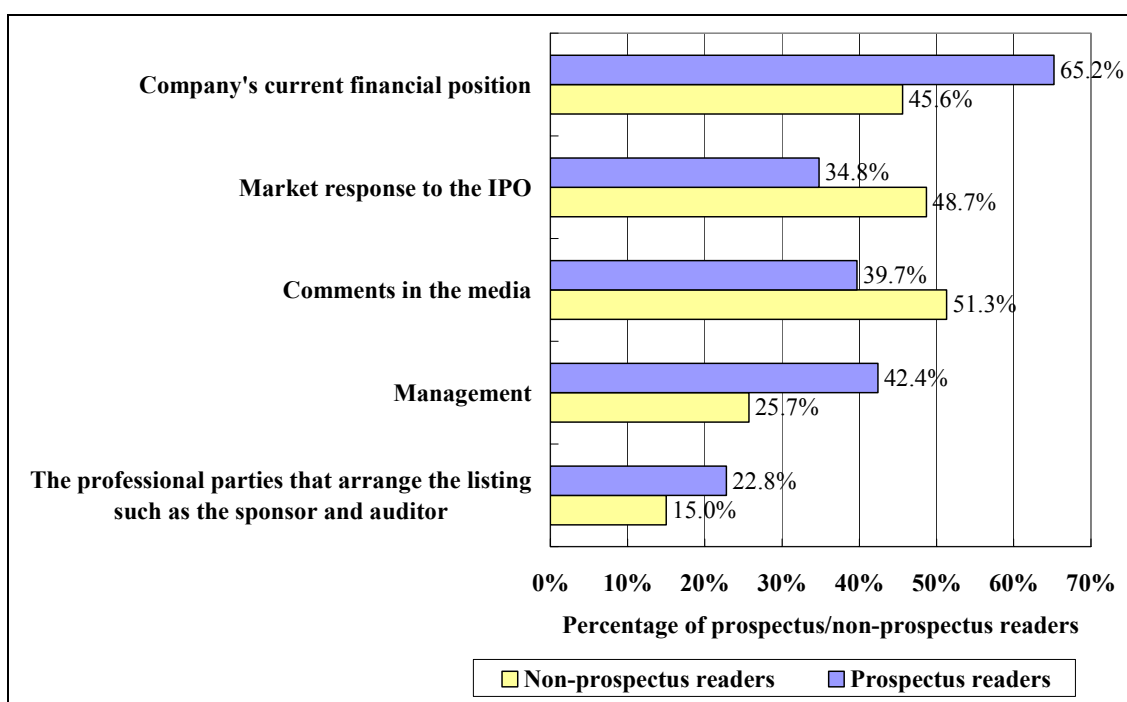


*Note: Multiple answers allowed.*

*(Base: All IPO share subscribers)*

A higher proportion of IPO share subscribers who read the prospectus (“prospectus readers” & see discussion on P.17) considered the newly listed company’s current financial position, management and the professional parties that arranged the listing than those who did not read the prospectus (“Non-prospectus readers”). On the other hand, non-prospectus readers paid more attention to the market response to the IPO and comments in the media (Figure 12).

**Figure 12: Factors to Consider in IPO Investing by Whether IPO Share Subscribers Read the Prospectus**



*Note: Multiple answers allowed.*

*(Base: All prospectus and non-prospectus readers)*

Among those who did not read the prospectus because they did not care about the company’s fundamentals (see discussion below), 61.9% considered comments in the media and 52.4% based their investment decision on the expected level of increase in the share price on the first trading day.

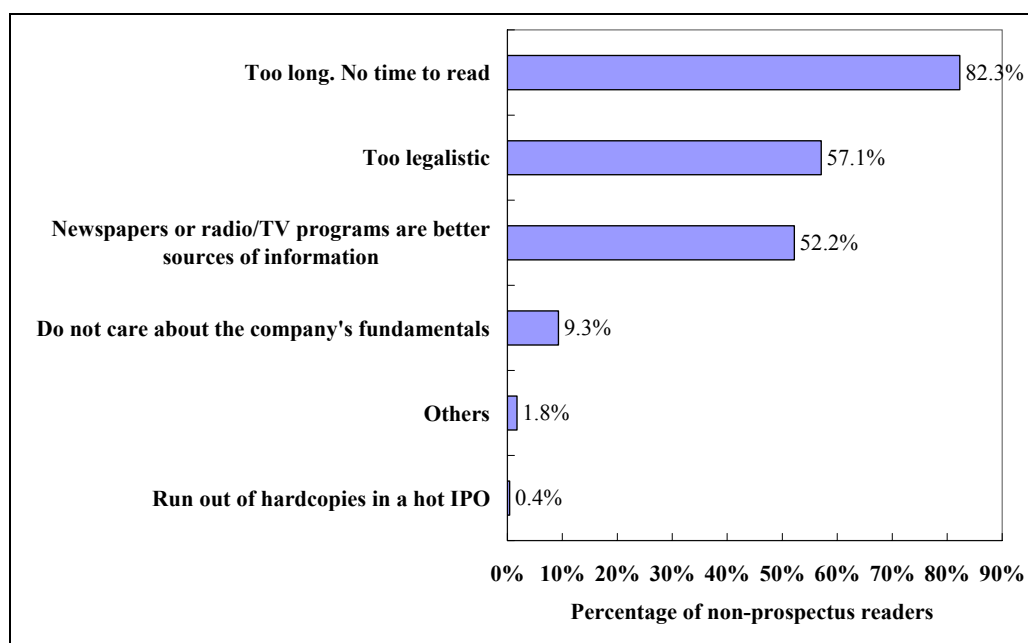
**Perceived Importance of Prospectus**

44.9% of IPO share subscribers read the prospectus before subscribing for shares in an IPO (“prospectus readers”) while 55.1% did not (“non-prospectus readers”).

71.5% of IPO share subscribers regarded the prospectus important. Among them, 58.4% read the prospectus and 41.6% did not. For those who considered the prospectus unimportant, only 11.5% read the prospectus.

82.3% of non-prospectus readers did not go through the prospectus because they said it was time consuming to read that long document. 57.1% found the prospectus too legalistic. 52.2% deemed newspapers or radio/TV programs as better sources of information about the newly listed company. 9.3% did not care about the company’s fundamentals (Figure 13).

**Figure 13: Reasons for Not Reading the Prospectus**



*Note: Multiple answers allowed.*

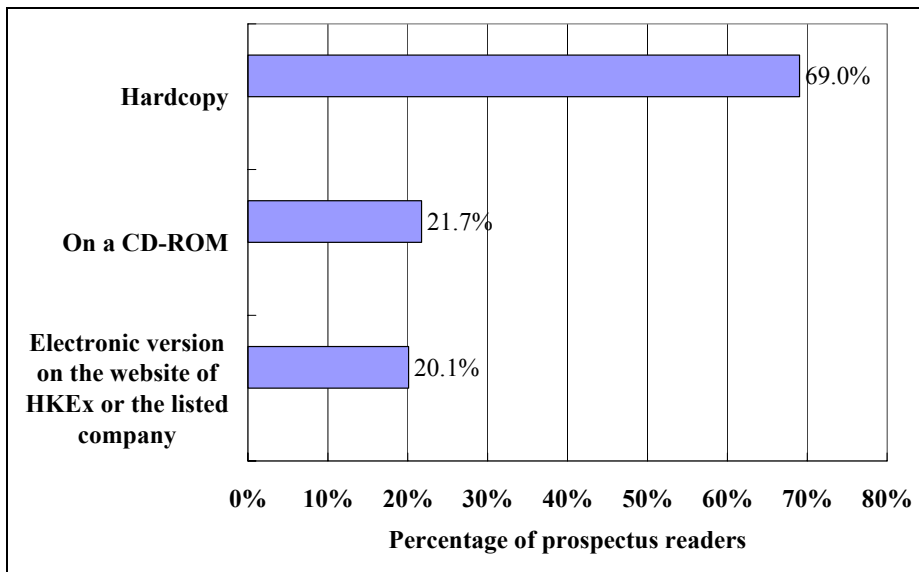
*(Base: All non-prospectus readers)*

Further analysis indicates that a higher proportion of non-prospectus readers who had traded through banks only (62.7% vs. Brokerages only: 59.7% and Both: 40.8%) or owned cash accounts only (Cash accounts only: 60.3% vs. Margin accounts only: 20% and Both: 29.4%) found the prospectus too legalistic. Significantly more margin account holders did not care about the company's fundamentals and thus did not read the prospectus (Margin accounts only: 40% vs. Cash accounts only: 9.3% and Both: 0%).

### **Preferred Format of Prospectus**

More stock investors favoured a hardcopy prospectus. 69% of prospectus readers liked this format, followed by a CD-ROM version (21.7%) and an electronic version on the website of the Hong Kong Exchanges and Clearing Ltd. ("HKEx") or the respective listed company (20.1%) (Figure 14). 69% of IPO share subscribers said that they possessed the knowledge and equipment for reading the prospectus on a CD-ROM.

**Figure 14: Preferred Format of Prospectus**



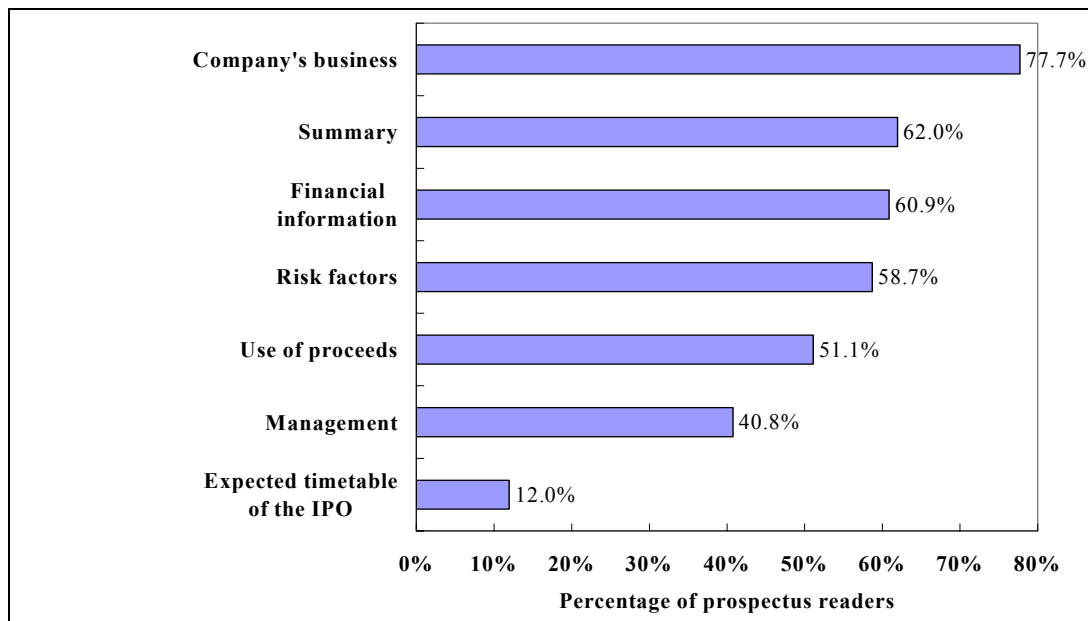
*Note: Multiple answers allowed.*

*(Base: All prospectus readers)*

### **Sections of Prospectus Read**

When reading the prospectus of a newly listed company, company's business was the most popular section (77.7% of prospectus readers), followed by summary (62.0%), financial information (60.9%) and risk factors (58.7%). Only 12% referred to the expected timetable of the IPO (Figure 15).

**Figure 15: Sections of Prospectus Read**



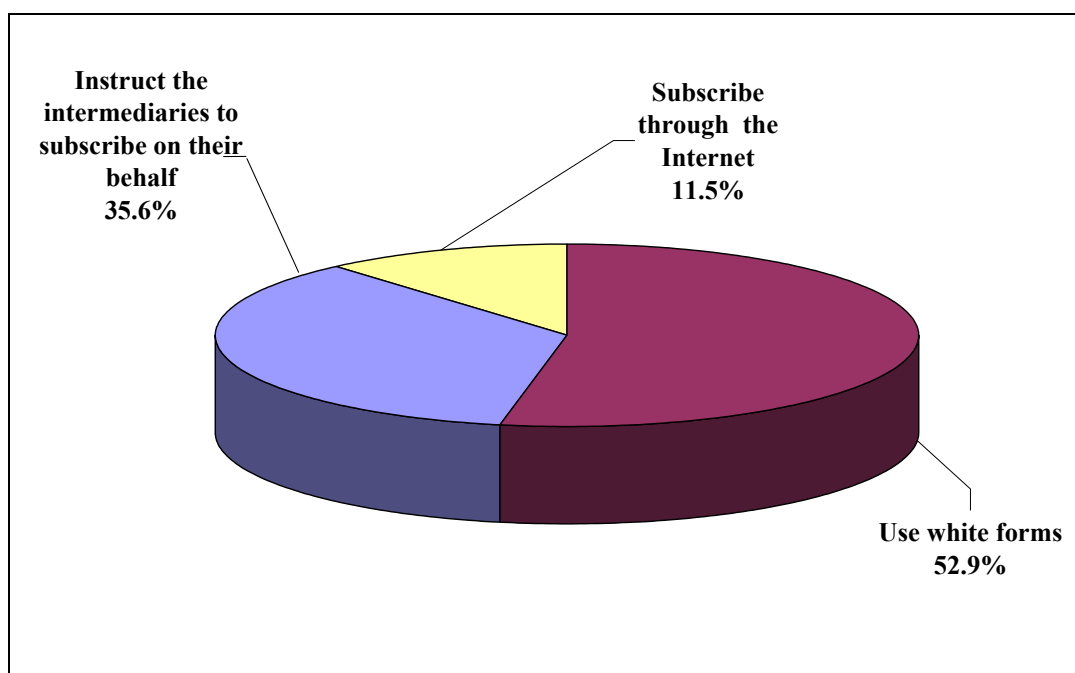
*Note: Multiple answers allowed.*

*(Base: All prospectus readers)*

## Application Methods

When submitting their IPO applications, 52.9% of IPO share subscribers usually used white forms (“White form users”), 35.6% instructed the intermediaries to subscribe on their behalf (commonly referred to as yellow form submission) (“Yellow form users”), and 11.5% submitted their applications through the Internet such as the websites of the intermediaries (Figure 16).

**Figure 16: IPO Application Methods**

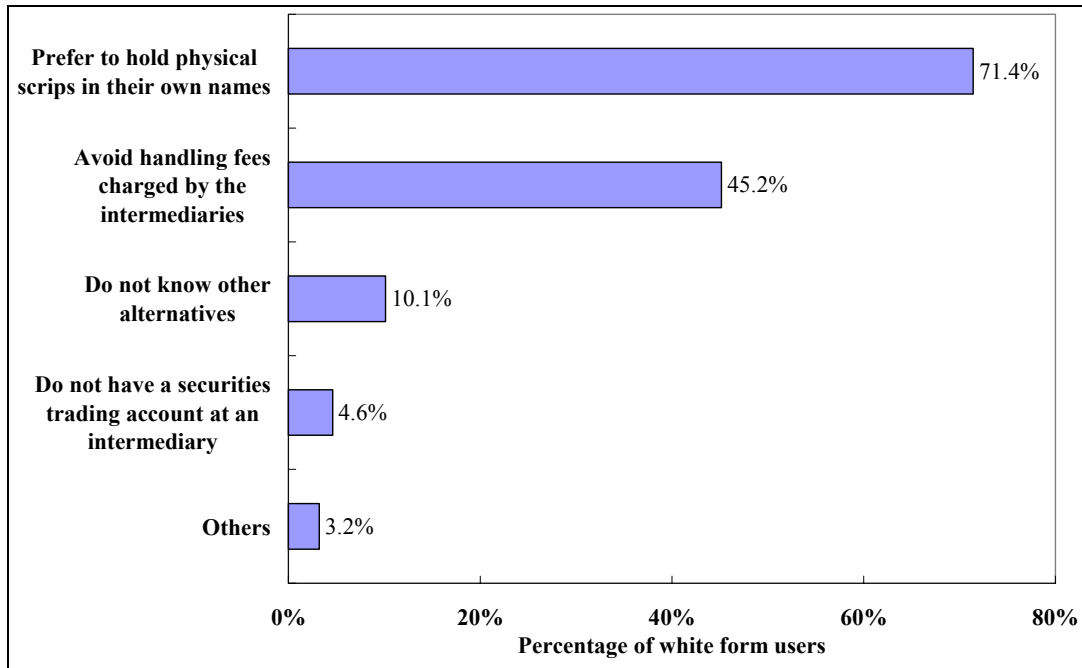


*(Base: All IPO share subscribers)*

Among those who liked a hardcopy prospectus, more of them used white forms (75.8%) instead of submitting their IPO applications through the Internet (46.2%). This phenomenon was reversed for those who favoured an electronic prospectus on the website of the HKEx or the listed company concerned (white forms: 12.6% vs. submission through the Internet: 38.5%).

IPO share subscribers adopted various application methods for different reasons. Those who preferred white forms mainly because they would like to hold physical scrips in their own names (71.4% of white form users) and avoid the intermediaries' handling fees (45.2%) (Figure 17).

**Figure 17: Reasons for Using White Forms in IPO Share Applications**

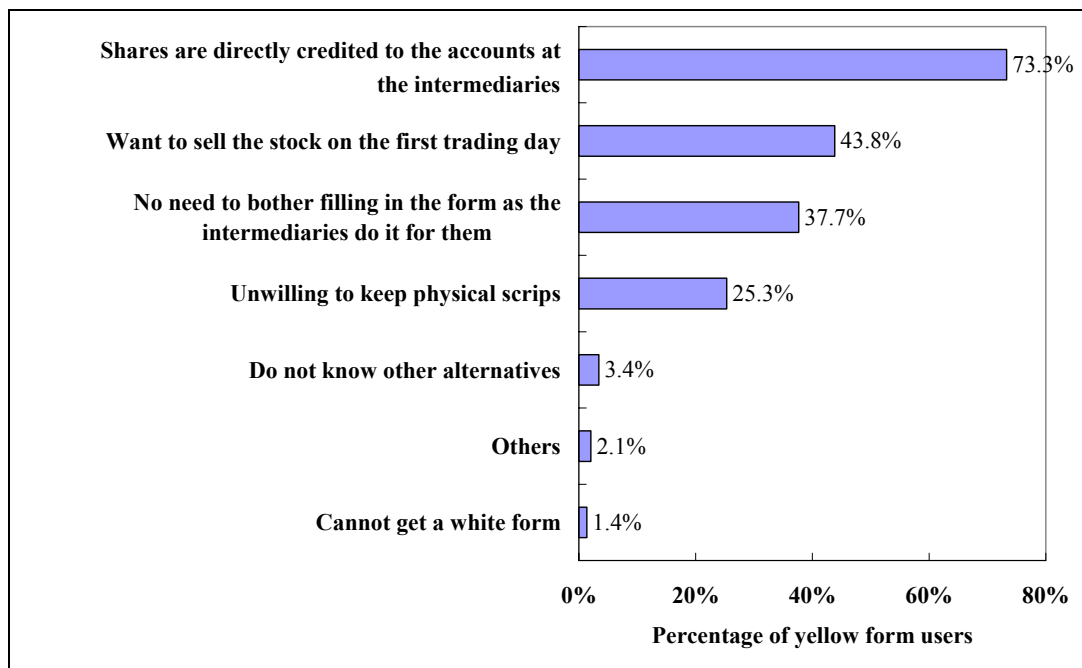


*Note: Multiple answers allowed.*

*(Base: All white form users)*

Yellow form users adopted this approach because shares could be directly credited to their accounts at the intermediaries (73.3% of yellow form users) and they intended to sell the allotted shares on the first trading day (43.8%) (Figure 18).

**Figure 18: Reasons for Using Yellow Forms in IPO Share Applications**

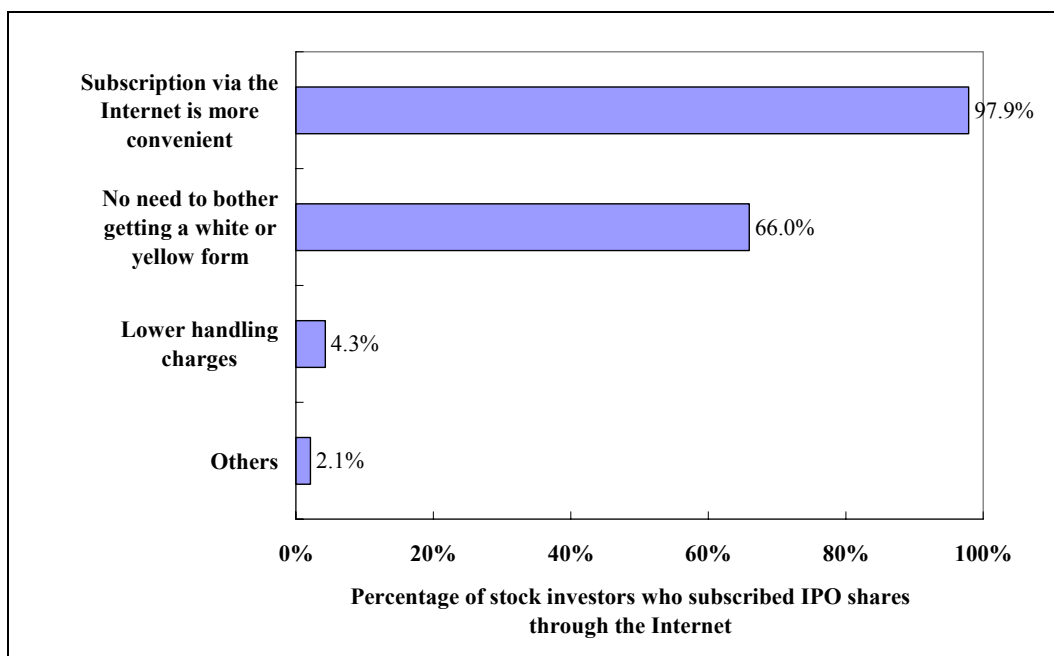


*Note: Multiple answers allowed.*

*(Base: All yellow form users)*

Stock investors subscribed IPO shares through the Internet because the approach was more convenient (97.9%) and dispensed them with the need of getting a white or yellow form (66%) (Figure 19).

**Figure 19: Reasons for Submitting IPO Share Applications through the Internet**



*Note: Multiple answers allowed.*

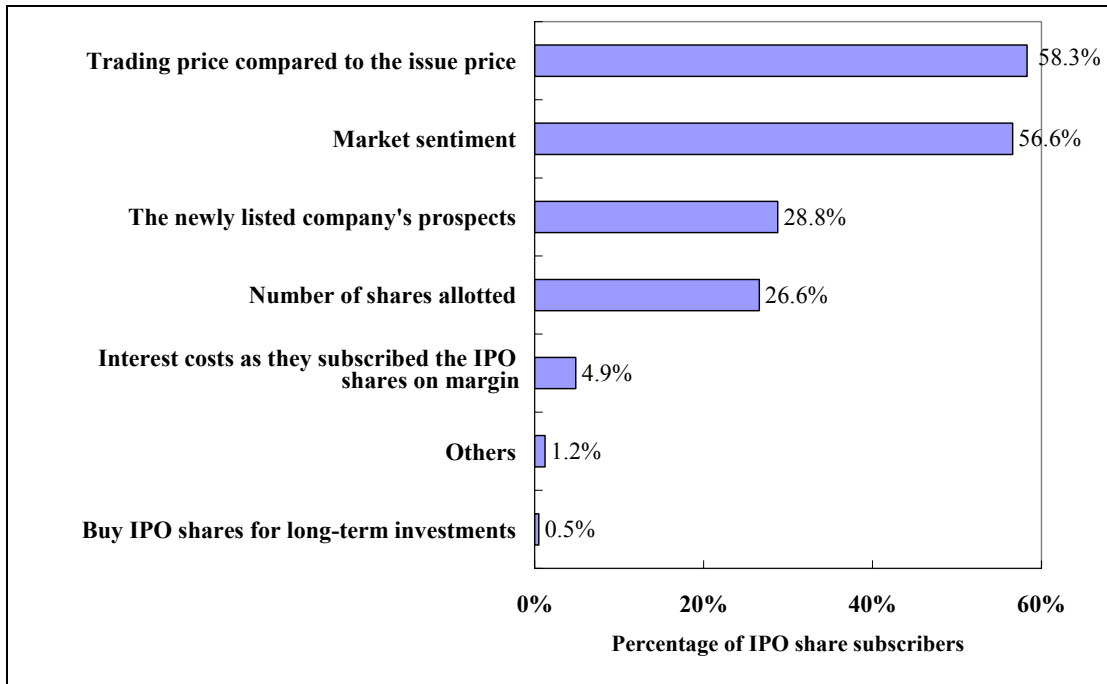
*(Base: All stock investors who subscribed IPO shares through the Internet)*

### **Selling Allotted Shares in an IPO on the First Trading Day**

16.3% of IPO share subscribers said that they usually sold the shares allotted in an IPO on the first trading day. More yellow form users (24.7% vs. White forms: 9.7% and Submission through the Internet: 21.3%) and those who owned margin accounts only (42.9% vs. Cash accounts only: 13.7% and Both: 36.8%) sold their IPO shares that quickly.

In deciding whether to sell their IPO shares quickly, IPO share subscribers more often compared the trading price to the issue price (58.3%) and considered the market sentiment (56.6%). 4.9% were concerned about the interest costs as they subscribed the IPO shares on margin (Figure 20).

**Figure 20: Factors Considered in Deciding whether to sell the Allotted Shares in an IPO Quickly**



*Note: Multiple factors allowed  
 (Base: All IPO share subscribers)*

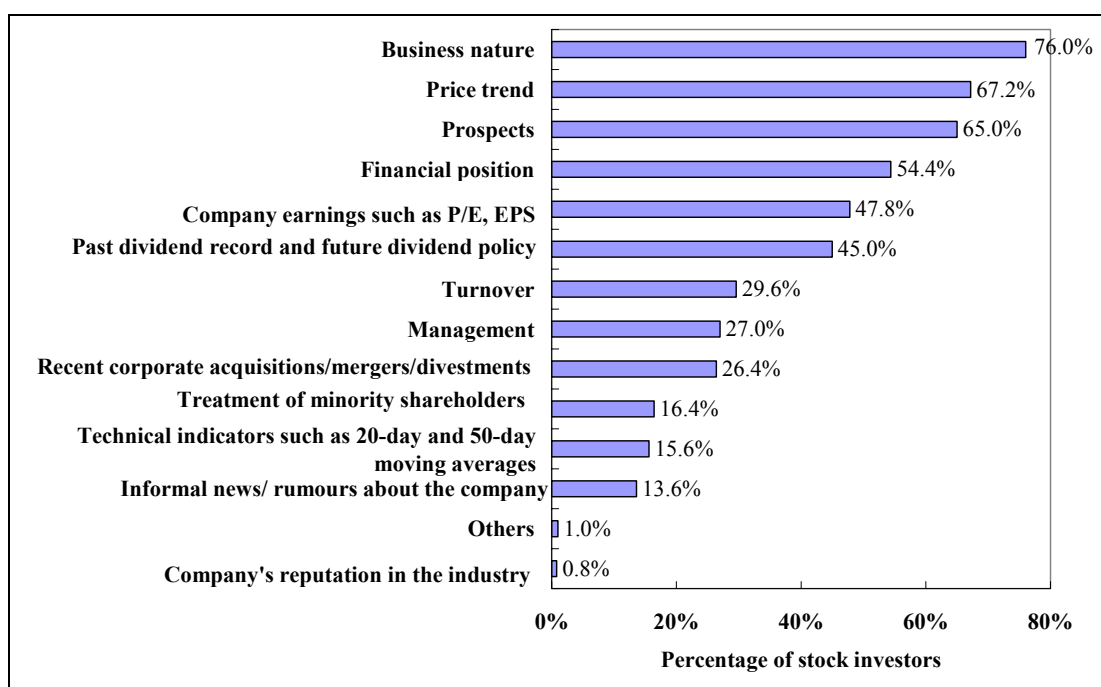
Whether IPO share subscribers sold their shares on the first trading day correlated to the factors they considered whether to sell the allotted IPO shares quickly. The survey has found that those who considered the newly listed company's prospects (7.6%) were less inclined to sell the IPO shares on the first trading day than those who did not look at the company's prospects (19.9%). In contrast, those who were conscious of interest costs (45%) had a higher propensity to sell their IPO shares on the first trading day than those who were not concerned about interest costs (14.9%).

## 7. Choosing Stocks & Making Trading Decisions

Over 60% of stock investors knew the business nature (76% of stock investors), price trend (67.2%) and prospects (65.0%) of a listed company before buying its shares. However, they seemed to be less knowledgeable of the company's management (27%) and treatment of minority shareholders (16.4%) (Figure 21).

While checking price trend was popular, stock investors in general seemed to be more familiar with fundamental analysis than technical analysis. Figure 21 shows that fewer respondents kept track of turnover (29.6%) and knew about the technical indicators such as 20-day and 50-day moving averages (15.6%) of the respective stock.

**Figure 21: Understanding of a Listed Company's Attributes Before Buying Its Shares**

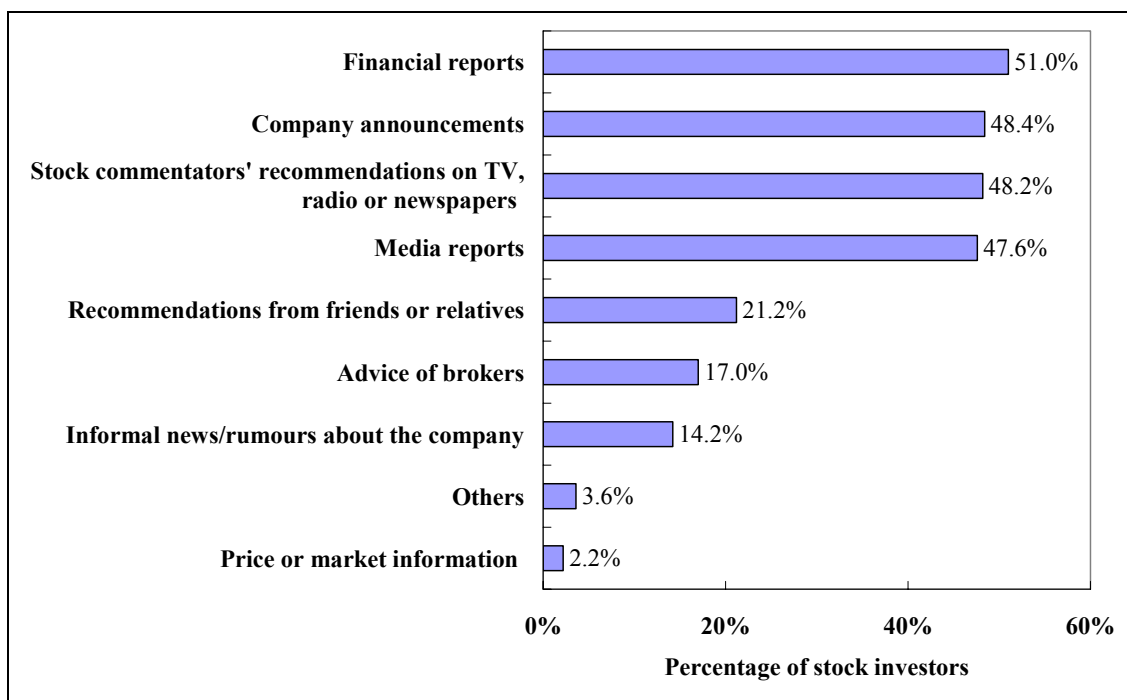


*Note: Multiple responses allowed.*

*(Base: All stock investors)*

When making trading decisions, stock investors often referred to corporate documents such as financial reports (51%) and company announcements (48.4%). Stock commentators' recommendations on TV, radio or newspapers (48.2%) and media reports (47.6%) were more influential sources of information than brokers' advice (17%) (Figure 22).

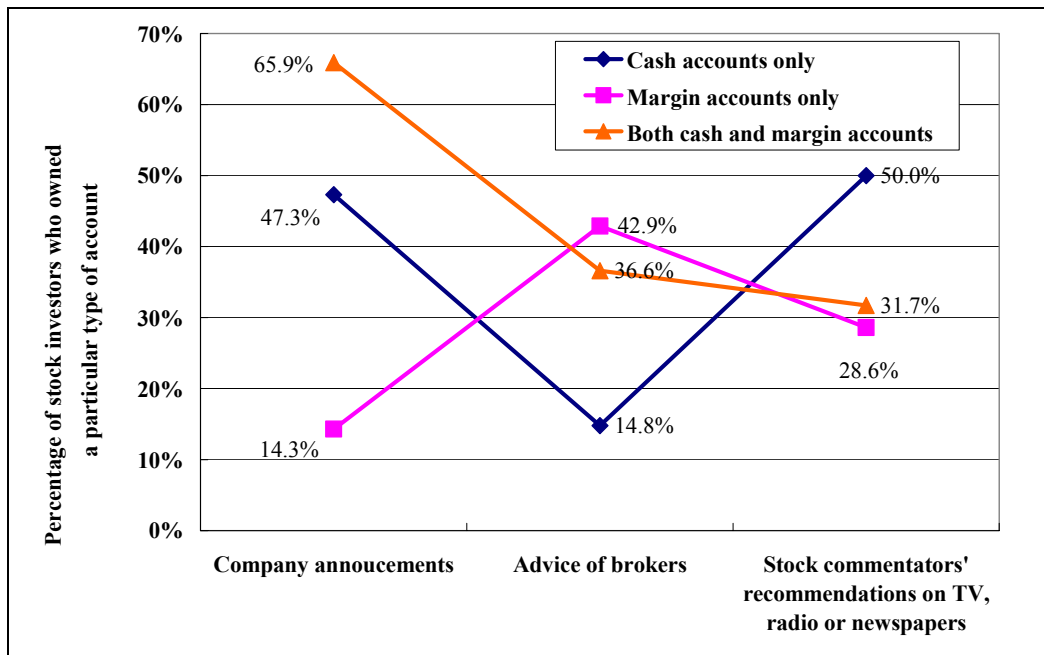
**Figure 22: Sources of Information for Making Trading Decisions**



*Note: Multiple responses allowed  
 (Base: All stock investors)*

Stock investors owning different types of accounts had different preferences concerning the sources of information. Those who owned cash accounts only relied more on stock commentators' recommendations on TV, radio or newspapers. Margin account holders followed brokers' advice more closely while those who owned both cash and margin accounts tended to rely more on company announcements (Figure 23).

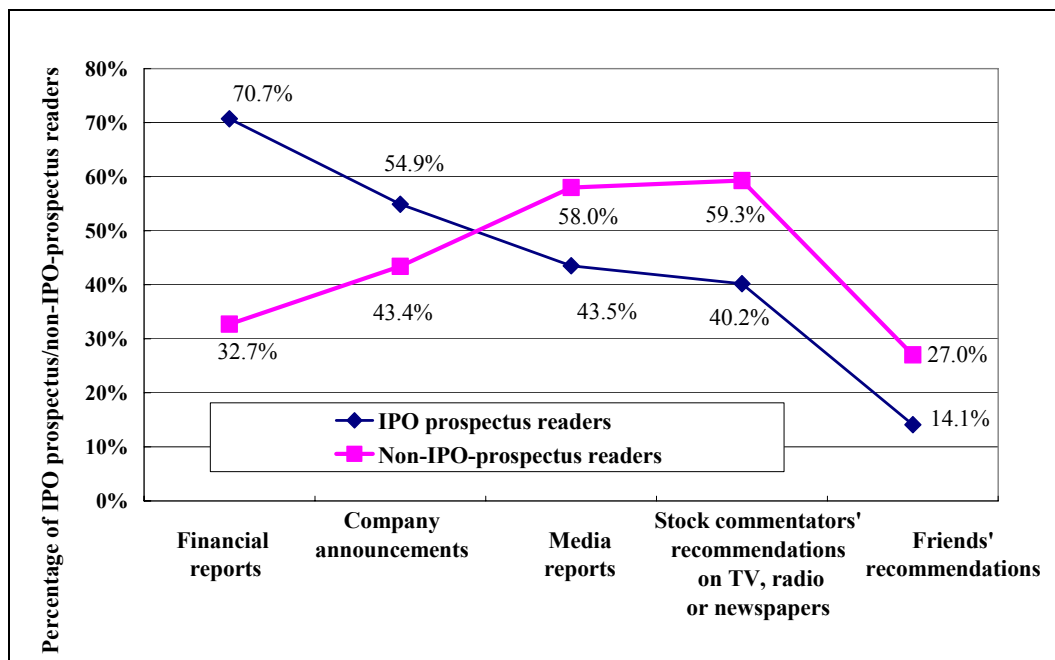
**Figure 23: Sources of Information by Types of Accounts Owned**



(Base: All stock investors who owned a particular type of account)

When making trading decisions in the secondary market, IPO prospectus readers were more inclined to read financial reports and company announcements. Non-IPO-prospectus readers more often referred to media reports and recommendations from stock commentators and friends (Figure 24).

**Figure 24: Sources of Information by IPO Prospectus/Non-IPO-Prospectus Readers**

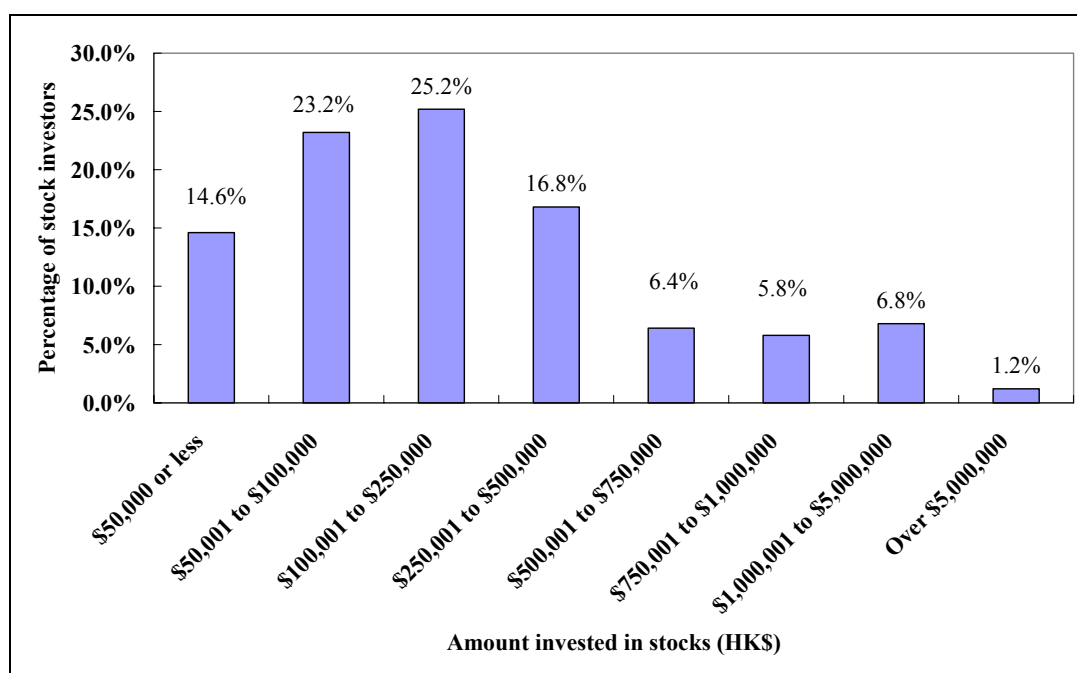


(Base: All IPO prospectus and non-IPO-prospectus readers)

## 8. Share of Wallet

14.6% of stock investors had spent less than HK\$50,000 in trading stocks. 48.4% had invested approximately HK\$50,001 to HK\$250,000 in stocks (of which 23.2% lied in the range of HK\$50,001 - HK\$100,000 and 25.2% in the range of HK\$100,001 - HK\$250,000). 16.8% fell in the range of HK\$250,001 to HK\$500,000 and 20.2% had a portfolio exceeding HK\$500,000 in value (Figure 25).

**Figure 25: Amounts Invested in Stocks By Stock Investors**

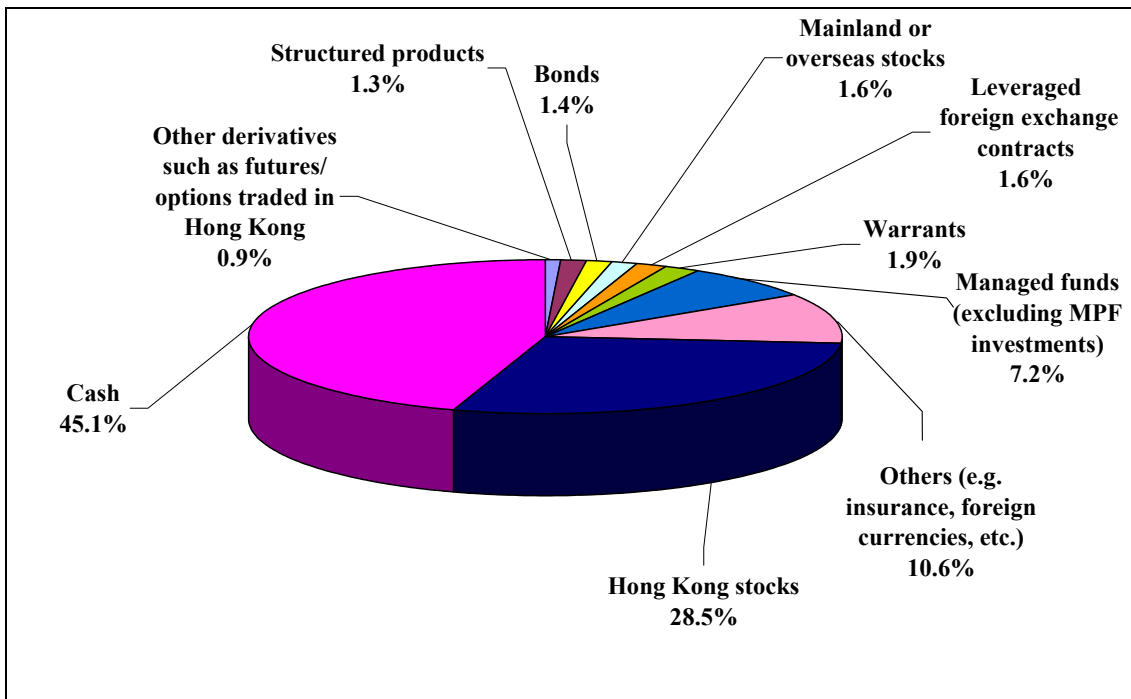


(Base: All stock investors)

Stock investors were asked to recall how they allocated their investment money as of September 2005 on a bundle of SFC-regulated investment products, Mainland and overseas stocks. Based on the average percentage calculated for each asset class, the composition of the portfolio was deduced as follows:

- Cash – 45.1%;
- Hong Kong stocks – 28.5%;
- Managed funds (excluding MPF investments) – 7.2%;
- Others such as insurance, foreign currencies, etc. – 10.6%;
- Warrants, leveraged foreign exchange contracts, Mainland or overseas stocks, bonds, structured products and other derivatives such as futures/options contracts traded in Hong Kong, each had a weight of less than 2% (Figure 26).

**Figure 26: Allocation of Investment Money by Stock Investors in September 2005**



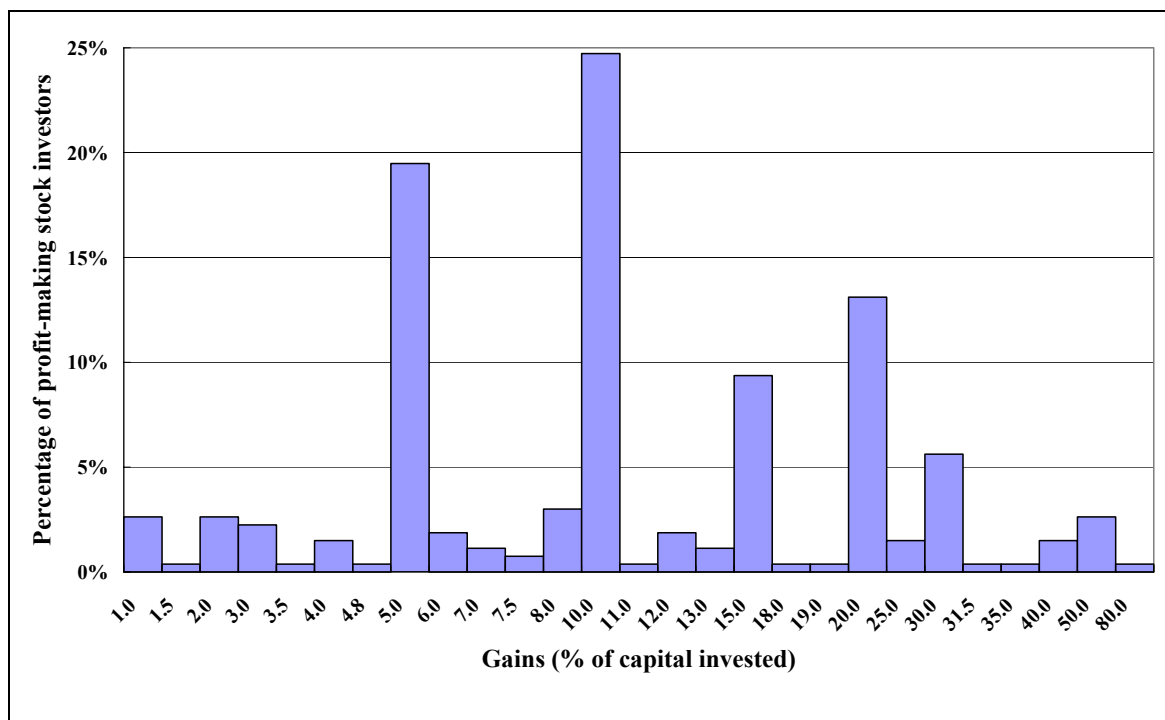
*(Base: All stock investors)*

## 9. Trading Results

When asked to review the performance of their stock investments in a defined period of six months, 53.4% of stock investors responded that they made profits, 21.4% suffered losses, 0.2% broke even and 25% said that they did not know or were not sure.

Among those who made profits from stock investments, their gains ranged from 1% to 80% of capital invested in stocks with an average of 13.3% (Figure 27).

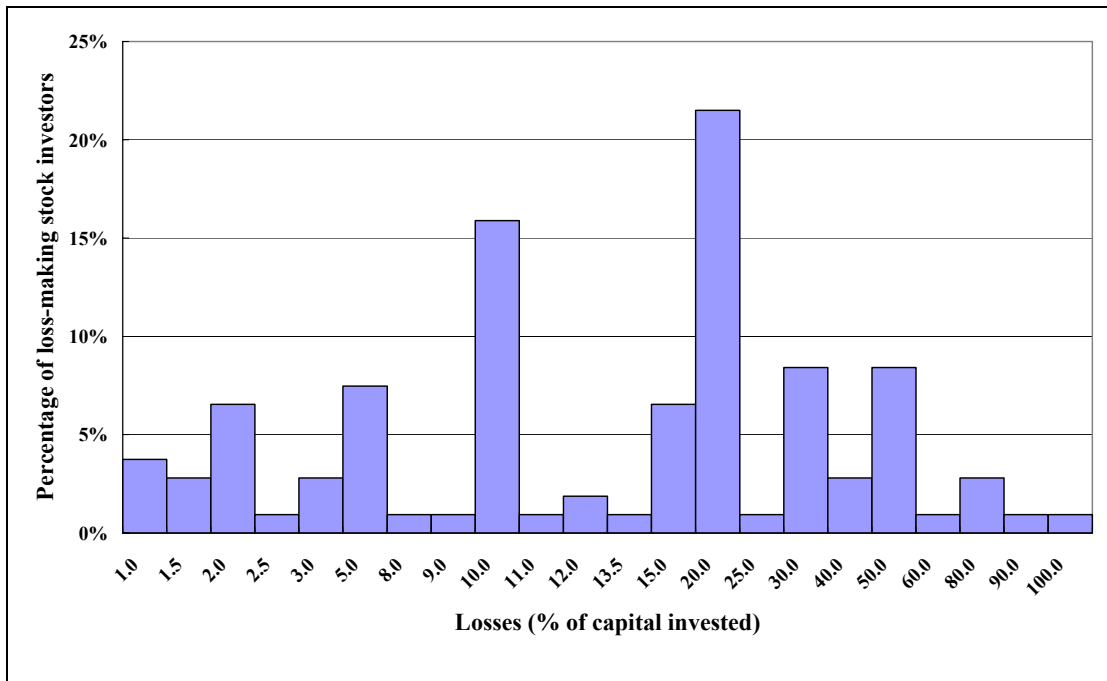
**Figure 27: Returns of Profit-Making Stock Investors**



*(Base: All profit-making stock investors)*

Among those who suffered losses in trading stocks, their losses represented approximately 1% to 100% of their capital invested in stocks with an average of 20.8% (Figure 28).

**Figure 28: Negative Returns of Loss-Making Stock Investors**



*(Base: All loss-making stock investors)*

Interestingly, while there was no statistically significant difference in the gains of those profit-making stock investors who read or did not read financial reports, those loss-making stock investors who did not read financial reports suffered a bigger trading loss (25.2%) than their counterparts who read financial reports (16%).

## **Survey Design**

### **Target Respondents**

Stock investors were defined as adults aged 18 or above who had traded Hong Kong, Mainland or overseas stocks during the last two years.

### **Data Collection Method**

The survey data were collected through self-completed questionnaires during the period from 30 September 2005 to 13 February 2006.

### **Sampling Method**

The target respondents were identified from two sources. The first source was the 1,511 stock investors identified in the SFC's Retail Investor Survey conducted in 2005. All those stock investors were invited to participate in the Stock Investor Survey and 679 of them agreed to help. After several follow-up contacts, 430 completed questionnaires were received.

To achieve the target sample size of 500, a number of calls were made from a random sample of residential telephone numbers. 184 stock investors were identified and agreed to take part in the survey. Finally, 70 completed questionnaires were collected from this booster sample.