

Trading of Mainland Stocks and HSI Constituent Stocks in Hong Kong, the UK and US

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Summary

- *The objective of this study is to compare the trading activities of 232 stocks (Mainland stocks and HSI constituent stocks) in Hong Kong and in major overseas markets. Of the 232 stocks, 49 stocks are traded in all the three markets: Hong Kong, the UK and US. Trading was more active in Hong Kong than in the UK and US. The market share of Hong Kong was 56% during July-November 2005, whilst those for the UK and US were 38% and 6.2% respectively. The large share for the UK was very much attributable to the trading of HSBC. Excluding HSBC, the market shares of Hong Kong, the UK and US were 84%, 7.3% and 8.9% respectively.*
- *During July-November 2005, 32 Mainland stocks (including 7 HSI constituent stocks) were traded in Hong Kong, the UK and US. Trading of most Mainland stocks was more active in Hong Kong (79%) than in the UK (7.5%) and US (14%) during the period.*
- *The remaining 17 stocks traded in the three markets are HSI constituent stocks. Hong Kong had a market share of 44% during July-November 2005. The market shares of the UK and US were 54% and 2.4% respectively. Excluding HSBC, the market shares of Hong Kong, the UK and US were 92%, 7.0% and 0.9% respectively. For the trading of HSBC, the markets shares of Hong Kong, the UK and US were 23%, 74% and 3.0% respectively.*
- *While some of the Hong Kong listed stocks are traded in other markets, trading is mainly concentrated in Hong Kong. There is no evidence to indicate that trading has been moving to overseas markets. On the other hand, as HSBC is an international bank, trading of HSBC in the UK is much higher than the trading in Hong Kong.*

¹ This paper is for pure fact-finding and research purposes, and is not an attempt to comment on the developments of any markets/companies or interpret the policies concerned. The views expressed in this paper do not represent those of the SFC.

Trading of Major Hong Kong Stocks in Hong Kong, the UK and US

1. As of the end of November 2005, there were 206 Mainland stocks² listed in Hong Kong. Together with the 33 HSI constituent stocks (of these, 7 are also Mainland stocks), the 232 stocks accounted for about 78% of the total market cap as of the end of November 2005 and 80% of the total market turnover for the 12 months ending November 2005 (excluding derivative warrants). The objective of this study is to compare the trading activities of these 232 stocks in Hong Kong and in major overseas markets such as the UK and US.
2. Of the 232 stocks, 49 stocks are traded in all the three markets: Hong Kong, the UK and US.³ The turnover of the 49 stocks in the three markets totalled US\$239.6 bn during July-November 2005. With a market share of 56%, trading of these 49 stocks amounted to US\$134 bn in Hong Kong. Trading in the UK was US\$90.7 bn (38%), whilst in the US was US\$14.9 bn (6.2%).⁴ The large share for the UK was very much attributable to the trading of HSBC. The market share of Hong Kong has been quite stable at 51-58% since 2003 H2. The market share was only 34% in 2003 H1 when the SARS hit the economy and the market reached its trough.

Summary of Trading of Major Stocks (Mainland Stocks and HSI Constituent Stocks) in Hong Kong, the UK and US (US\$ bn)

	Number of Mainland stocks and HSI constituent stocks traded in HK, the UK and US	Hong Kong		UK		US		Total	
		Value	% of row total	Value	% of row total	Value	% of row total	Value	% of row total
2003 H1	43	62.82	33.8%	106.77	57.4%	16.45	8.8%	186.04	100.0%
2003 H2	47	108.08	57.7%	63.37	33.8%	16.01	8.5%	187.46	100.0%
2004 H1	49	151.19	51.8%	117.00	40.1%	23.92	8.2%	292.12	100.0%
2004 H2	48	127.72	51.3%	108.23	43.5%	12.89	5.2%	248.83	100.0%
2005 H1	50	135.54	53.8%	102.32	40.6%	14.07	5.6%	251.93	100.0%
2005 Jul-Nov	49	133.99	55.9%	90.70	37.9%	14.88	6.2%	239.56	100.0%

Sources: HKEx, LSE and Bloomberg

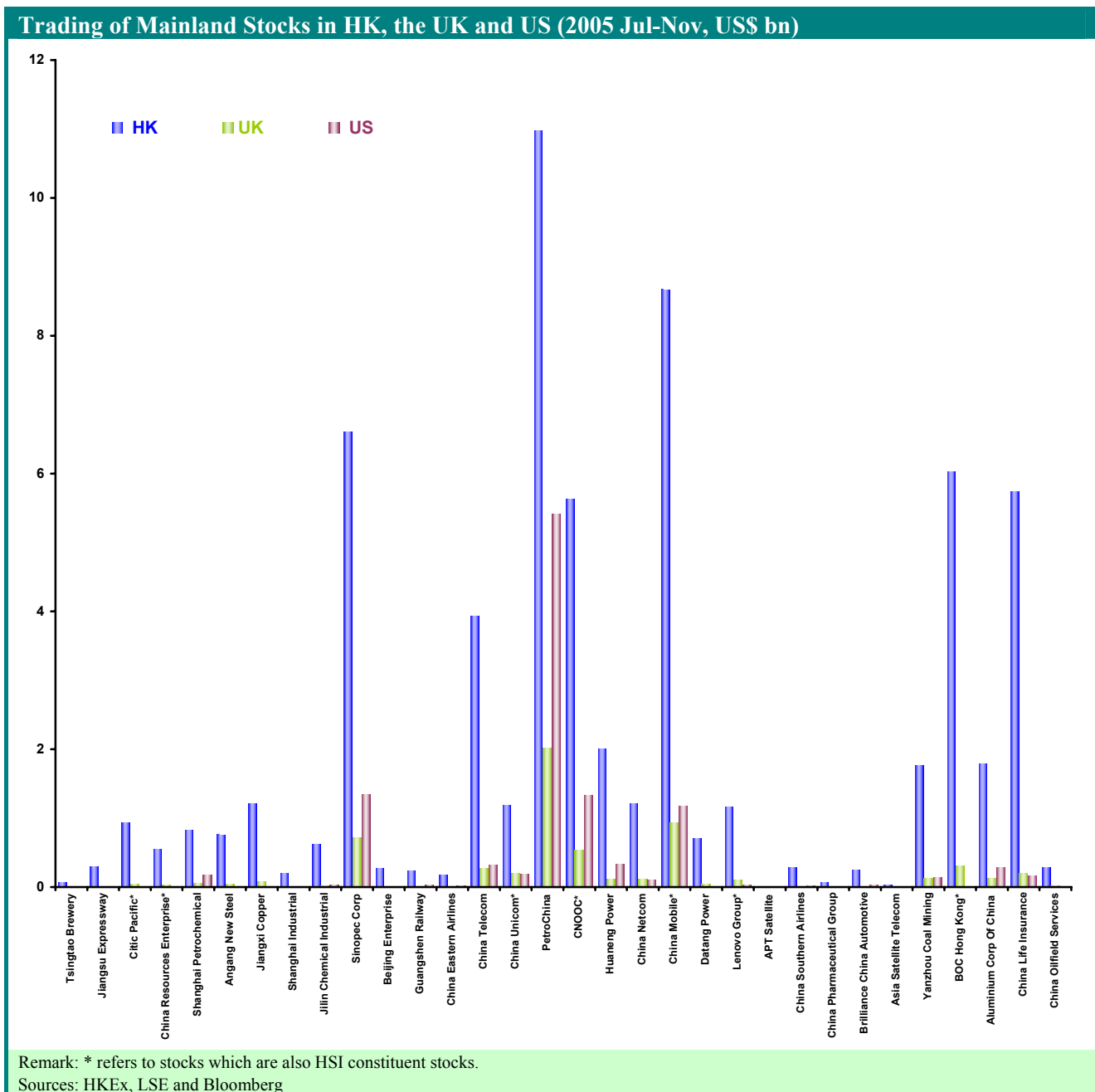
² In this study, Mainland stocks include H-shares and red chips only.

³ Most of these stocks are traded on the International Board or Hong Kong Board of the London Stock Exchange (LSE), whilst they are traded in the US in the form of American Depository Receipts (ADRs). Some information vendors also provide data on OTC trading of such stocks. Turnover of these stocks has also been included in this analysis.

⁴ Turnover values are available from the exchanges or information vendors on a monthly basis. The average exchange rates of GBP and HKD during the month are used to convert such turnover figures into USD.

Trading of Most Mainland Stocks in Hong Kong is More Active Than in the UK and US

3. As of the end of November 2005, there were 32 Mainland stocks (including 7 HSI constituent stocks) traded in all the three markets, i.e. Hong Kong, the UK and US. The turnover of 31 stocks was higher in Hong Kong than in the UK and US during July-November 2005 (the exception is APT Satellite, but the trading in all three markets was very small).



4. The total turnover of the 32 Mainland stocks in Hong Kong totalled US\$64.4 bn during July-November 2005, whilst it was US\$6.2 bn and US\$11.1 bn in the UK and US respectively. In other words, 79% of the total trading value took place in Hong Kong. The shares of the UK and US were 7.5% and 14% respectively.

Trading of Mainland Stocks in Hong Kong, the UK and US (2005 Jul-Nov, US\$ bn)

Stock Code	Stock Name	Hong Kong		UK		US		Total	
		Value	% of row total	Value	% of row total	Value	% of row total	Value	% of row total
168	Tsingtao Brewery	0.07	91.1%	0.004	5.8%	0.002	3.1%	0.07	100.0%
177	Jiangsu Expressway	0.30	96.8%	0.01	3.2%	0.0001	0.03%	0.31	100.0%
267*	Citic Pacific	0.93	95.8%	0.04	3.7%	0.004	0.4%	0.97	100.0%
291*	China Resources Enterprise	0.55	95.2%	0.03	4.8%	0.0001	0.02%	0.58	100.0%
338	Shanghai Petrochemical	0.83	78.4%	0.05	4.9%	0.18	16.8%	1.06	100.0%
347	Angang New Steel	0.76	94.8%	0.04	5.1%	0.0001	0.01%	0.80	100.0%
358	Jiangxi Copper	1.21	93.8%	0.08	6.2%	0.00004	0.003%	1.29	100.0%
363	Shanghai Industrial	0.20	97.5%	0.005	2.4%	0.0001	0.04%	0.20	100.0%
368	Jilin Chemical Industrial	0.62	92.6%	0.02	3.6%	0.03	3.7%	0.67	100.0%
386	Sinopec Corp	6.60	76.2%	0.72	8.3%	1.34	15.5%	8.66	100.0%
392	Beijing Enterprise	0.27	97.7%	0.01	2.1%	0.0005	0.2%	0.28	100.0%
525	Guangshen Railway	0.23	86.1%	0.01	4.4%	0.03	9.5%	0.27	100.0%
670	China Eastern Airlines	0.17	88.0%	0.01	4.1%	0.02	7.8%	0.19	100.0%
728	China Telecom	3.93	86.9%	0.27	6.1%	0.32	7.0%	4.53	100.0%
762*	China Unicom	1.19	75.1%	0.20	12.7%	0.19	12.2%	1.59	100.0%
857	PetroChina	10.97	59.6%	2.01	10.9%	5.42	29.5%	18.40	100.0%
883*	CNOOC	5.63	75.2%	0.53	7.0%	1.33	17.8%	7.50	100.0%
902	Huaneng Power	2.00	81.4%	0.12	5.0%	0.33	13.6%	2.46	100.0%
906	China Netcom	1.21	85.0%	0.11	7.9%	0.10	7.1%	1.42	100.0%
941*	China Mobile	8.67	80.5%	0.93	8.6%	1.17	10.9%	10.78	100.0%
991	Datang Power	0.70	94.9%	0.04	5.0%	0.001	0.2%	0.74	100.0%
992*	Lenovo Group	1.16	89.5%	0.10	7.8%	0.03	2.7%	1.29	100.0%
1045	APT Satellite	0.001	44.9%	0.00001	0.4%	0.002	54.7%	0.003	100.0%
1055	China Southern Airlines	0.29	92.1%	0.01	2.6%	0.02	5.4%	0.32	100.0%
1093	China Pharmaceutical Group	0.06	97.6%	0.001	2.3%	0.00002	0.03%	0.06	100.0%
1114	Brilliance China Automotive	0.25	86.3%	0.01	3.9%	0.03	9.7%	0.29	100.0%
1135	Asia Satellite Telecom	0.03	90.1%	0.0002	0.5%	0.003	9.4%	0.03	100.0%
1171	Yanzhou Coal Mining	1.76	86.8%	0.13	6.5%	0.14	6.7%	2.03	100.0%
2388*	BOC Hong Kong	6.03	95.1%	0.31	4.9%	0.0001	0.001%	6.34	100.0%
2600	Aluminium Corp of China	1.79	81.3%	0.13	5.9%	0.28	12.8%	2.20	100.0%
2628	China Life Insurance	5.74	94.0%	0.20	3.3%	0.16	2.7%	6.10	100.0%
2883	China Oilfield Services	0.28	94.6%	0.02	5.4%	0.00001	0.004%	0.30	100.0%
Total		64.44	78.8%	6.16	7.5%	11.13	13.6%	81.73	100.0%

Remark: * refers to stocks which are also HSI constituent stocks.

Sources: HKEx, LSE and Bloomberg

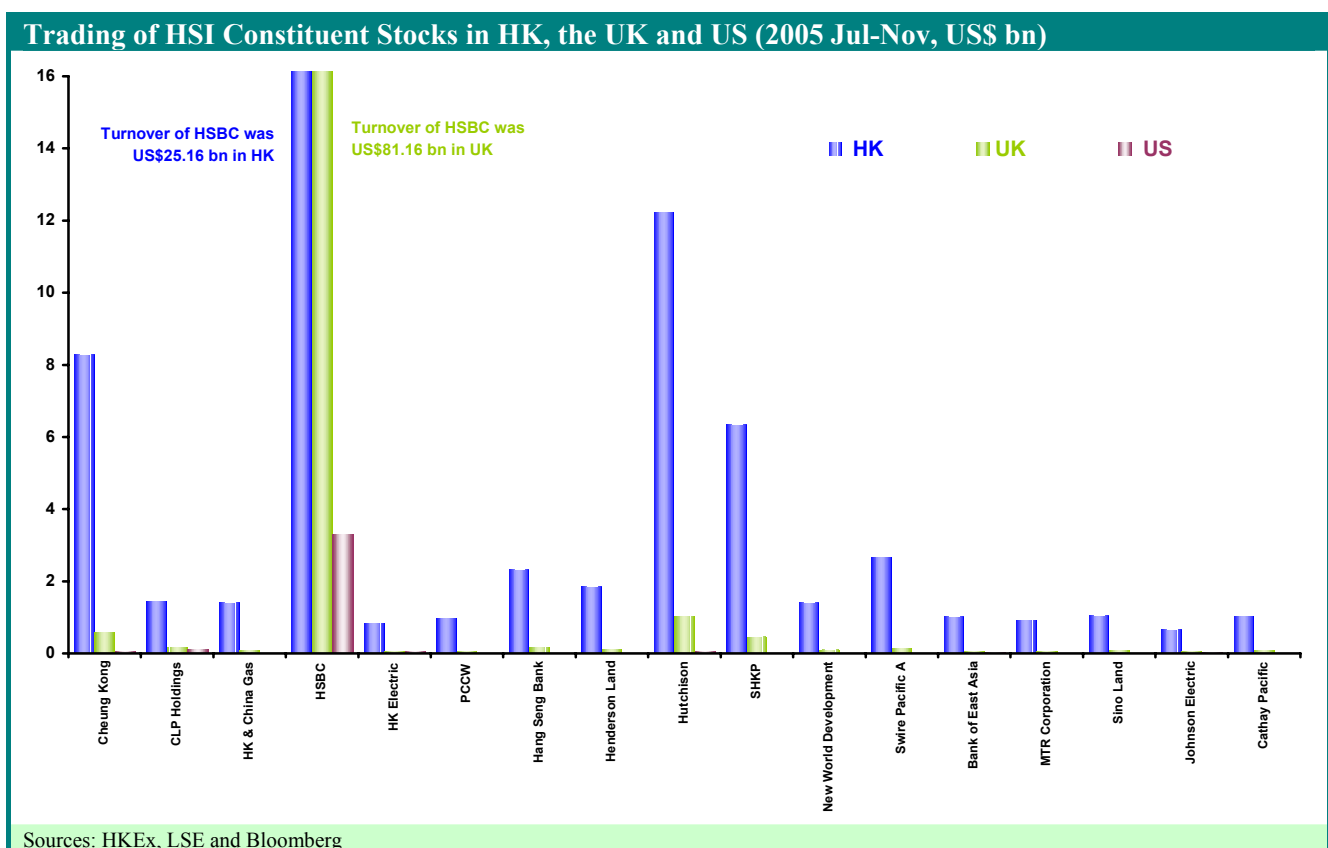
5. The market shares of Hong Kong, the UK and US were 80%, 7.3% and 13% respectively during 2005 H1 (trading value was US\$58.9 bn, US\$5.4 bn and US\$9.2 bn respectively).

Summary of Trading of Mainland Stocks in Hong Kong, the UK and US (US\$ bn)									
	Number of Mainland stocks traded in HK, the UK and US	Hong Kong		UK		US		Total	
		Value	% of row total	Value	% of row total	Value	% of row total	Value	% of row total
2003 H1	27	23.15	77.4%	4.18	14.0%	2.58	8.6%	29.91	100.0%
2003 H2	30	48.22	75.8%	4.26	6.7%	11.17	17.5%	63.65	100.0%
2004 H1	32	79.13	73.3%	9.66	8.9%	19.17	17.8%	107.95	100.0%
2004 H2	31	56.91	81.6%	4.90	7.0%	7.90	11.3%	69.71	100.0%
2005 H1	33	58.90	80.1%	5.40	7.3%	9.22	12.5%	73.52	100.0%
2005 Jul-Nov	32	64.44	78.8%	6.16	7.5%	11.13	13.6%	81.73	100.0%

Sources: HKEx, LSE and Bloomberg

Trading of Most HSI Constituent Stocks in Hong Kong is More Active Than in the UK and US

6. As of the end of November 2005, there were 24 HSI constituent stocks (including 7 Mainland stocks) traded in Hong Kong, the UK and US. Excluding the 7 Mainland stocks which have been covered in the previous section, 17 HSI constituent stocks are traded in the three markets. Between July and November 2005, the turnover of 16 of them was higher in Hong Kong than in the UK and US, whilst the turnover of the remaining one, namely HSBC, was higher in the UK than in Hong Kong and the US. Trading of HSBC in the UK was 3.2 times higher than its trading in Hong Kong.



7. The total turnover of the 17 HSI constituent stocks in Hong Kong was US\$69.6 bn over the period, whilst it was US\$84.5 bn and US\$3.8 bn in the UK and US respectively. The market share was 44% for Hong Kong, whilst those for the UK and US were 54% and 2.4% respectively.

Trading of HSI Constituent Stocks in Hong Kong, the UK and US (2005 Jul-Nov, US\$ bn)										
Stock Code	Stock Name	Hong Kong		UK		US		Total		
		Value	% of row total	Value	% of row total	Value	% of row total	Value	% of row total	
1	Cheung Kong	8.28	92.8%	0.59	6.7%	0.05	0.6%	8.93	100.0%	
2	CLP Holdings	1.44	83.4%	0.17	9.7%	0.12	6.9%	1.73	100.0%	
3	HK & China Gas	1.40	92.1%	0.11	7.1%	0.01	0.9%	1.52	100.0%	
5	HSBC	25.16	23.0%	81.16	74.0%	3.30	3.0%	109.63	100.0%	
6	HK Electric	0.84	89.2%	0.05	5.7%	0.05	5.1%	0.94	100.0%	
8	PCCW	0.98	94.8%	0.05	5.0%	0.003	0.2%	1.03	100.0%	
11	Hang Seng Bank	2.32	93.2%	0.17	6.7%	0.002	0.1%	2.48	100.0%	
12	Henderson Land	1.85	92.4%	0.13	6.5%	0.02	1.1%	2.00	100.0%	
13	Hutchison	12.23	91.7%	1.03	7.7%	0.07	0.5%	13.33	100.0%	
16	SHKP	6.34	93.1%	0.46	6.7%	0.01	0.2%	6.81	100.0%	
17	New World Development	1.40	92.4%	0.11	7.5%	0.001	0.1%	1.51	100.0%	
19	Swire Pacific A	2.67	94.3%	0.15	5.2%	0.01	0.5%	2.83	100.0%	
23	Bank of East Asia	1.01	91.2%	0.07	6.2%	0.03	2.7%	1.11	100.0%	
66	MTR Corporation	0.91	94.9%	0.05	5.0%	0.0005	0.1%	0.96	100.0%	
83	Sino Land	1.04	91.5%	0.08	7.4%	0.01	1.1%	1.14	100.0%	
179	Johnson Electric	0.66	89.2%	0.05	6.9%	0.03	3.9%	0.74	100.0%	
293	Cathay Pacific	1.03	89.5%	0.11	9.1%	0.02	1.4%	1.15	100.0%	
Total		69.55	44.1%	84.54	53.6%	3.75	2.4%	157.84	100.0%	

Sources: HKEx, LSE and Bloomberg

8. During 2005 H1, the market shares of Hong Kong, the UK and US were 43%, 54% and 2.7% respectively (trading value was US\$76.6 bn, US\$96.9 bn and US\$4.9 bn respectively).

Summary of Trading of HSI Constituent Stocks in Hong Kong, the UK and US (US\$ bn)										
	Number of HSI constituent stocks traded in HK, the UK and US	Hong Kong		UK		US		Total		
		Value	% of row total	Value	% of row total	Value	% of row total	Value	% of row total	
2003 H1	16	39.67	25.4%	102.59	65.7%	13.87	8.9%	156.14	100.0%	
2003 H2	17	59.85	48.3%	59.11	47.7%	4.85	3.9%	123.80	100.0%	
2004 H1	17	72.06	39.1%	107.34	58.3%	4.76	2.6%	184.17	100.0%	
2004 H2	17	70.81	39.5%	103.33	57.7%	4.98	2.8%	179.12	100.0%	
2005 H1	17	76.64	43.0%	96.92	54.3%	4.85	2.7%	178.40	100.0%	
2005 Jul-Nov	17	69.55	44.1%	84.54	53.6%	3.75	2.4%	157.84	100.0%	

Remark: The table does not include Mainland stocks, as Mainland stocks have been covered in the previous section.
Sources: HKEx, LSE and Bloomberg

Excluding HSBC, Trading of HSI Constituent Stocks in Hong Kong is Higher Than in the UK and US

9. Trading activities in the UK were accounted for to a large extent by the trading of HSBC. During July-November 2005,
- turnover of HSBC in the UK amounted to about US\$81.2 bn, 89% of the total turnover of the 49 stocks traded in the UK; and
 - the market shares of the trading of HSBC were 23%, 74% and 3.0% respectively.
10. Among other factors, the high turnover of HSBC in the UK was attributable to the fact that HSBC is an international bank. HSBC has extensive business networks worldwide, and Hong Kong is just one of the major profit-generating centres. In financial year 2004, 27% of the pre-tax profit of HSBC originated from Hong Kong and the remaining 73% from other regions. This compared to 38% and 62% of the pre-tax profit coming from Hong Kong and other regions respectively in financial year 2000.
11. Excluding HSBC, trading of the other 16 HSI constituent stocks was predominantly conducted in Hong Kong. It accounted for 92% of the total turnover in the three markets during July-November 2005. The share of the UK was 7.0%, whilst that for the US was less than 1%.

Summary of Trading of HSI Constituent Stocks (Excluding HSBC) in Hong Kong, the UK and US (US\$ bn)

	Number of HSI constituent stocks (excluding HSBC) traded in HK, the UK and US	Hong Kong		UK		US		Total	
		Value	% of row total	Value	% of row total	Value	% of row total	Value	% of row total
2003 H1	15	26.44	90.5%	2.65	9.1%	0.13	0.5%	29.22	100.0%
2003 H2	16	43.92	92.2%	3.16	6.6%	0.58	1.2%	47.66	100.0%
2004 H1	16	49.69	92.1%	3.78	7.0%	0.49	0.9%	53.96	100.0%
2004 H2	16	44.44	92.0%	3.38	7.0%	0.47	1.0%	48.28	100.0%
2005 H1	16	47.05	92.9%	3.05	6.0%	0.57	1.1%	50.67	100.0%
2005 Jul-Nov	16	44.39	92.1%	3.38	7.0%	0.45	0.9%	48.21	100.0%

Remarks: The table does not include Mainland stocks, as Mainland stocks have been covered in the previous section. HSBC has not been included.

Sources: HKEx, LSE and Bloomberg

Excluding HSBC, Trading of Major Stocks (Mainland Stocks and HSI Constituent Stocks) in Hong Kong is Also Higher Than in the UK and US

12. Excluding HSBC, Hong Kong accounted for 84% of the total turnover of the remaining 48 stocks (Mainland stocks and HSI constituent stocks) in three markets during July-November 2005. The share of the UK was 7.3%, whilst that for the US was 8.9%.

Summary of Trading of Major Stocks (Mainland Stocks and HSI Constituent Stocks, Excluding HSBC) in Hong Kong, the UK and US (US\$ bn)

	Number of Mainland stocks and HSI constituent stocks (excluding HSBC) traded in HK, the UK and US	Hong Kong		UK		US		Total	
		Value	% of row total	Value	% of row total	Value	% of row total	Value	% of row total
2003 H1	42	49.59	83.9%	6.83	11.6%	2.71	4.6%	59.13	100.0%
2003 H2	46	92.14	82.8%	7.42	6.7%	11.74	10.6%	111.31	100.0%
2004 H1	48	128.82	79.6%	13.44	8.3%	19.65	12.1%	161.91	100.0%
2004 H2	47	101.35	85.9%	8.27	7.0%	8.37	7.1%	117.99	100.0%
2005 H1	49	105.95	85.3%	8.44	6.8%	9.80	7.9%	124.19	100.0%
2005 Jul-Nov	48	108.82	83.8%	9.54	7.3%	11.57	8.9%	129.94	100.0%

Remark: HSBC has not been included.

Sources: HKEx, LSE and Bloomberg

Conclusion

13. While some of the Hong Kong listed stocks are traded in other markets, trading is mainly concentrated in Hong Kong. There is no evidence to indicate that trading has been moving to overseas markets. On the other hand, as HSBC is an international bank, trading of HSBC in the UK is much higher than the trading in Hong Kong.