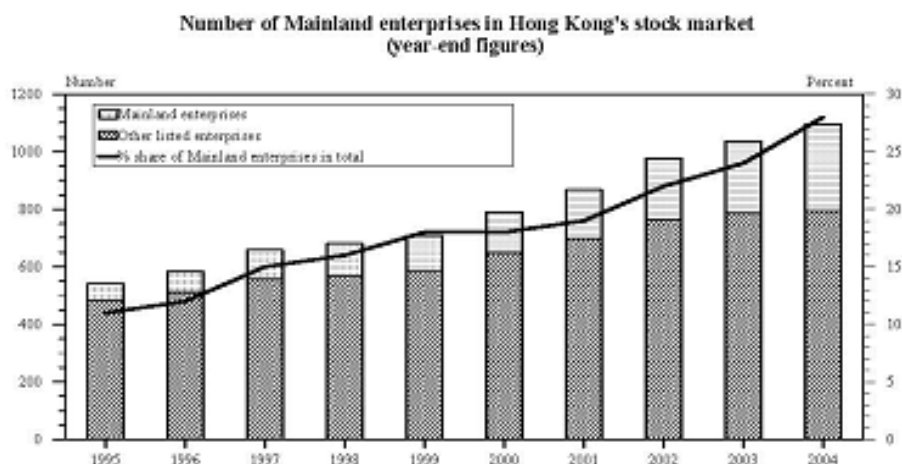


Box 4.1

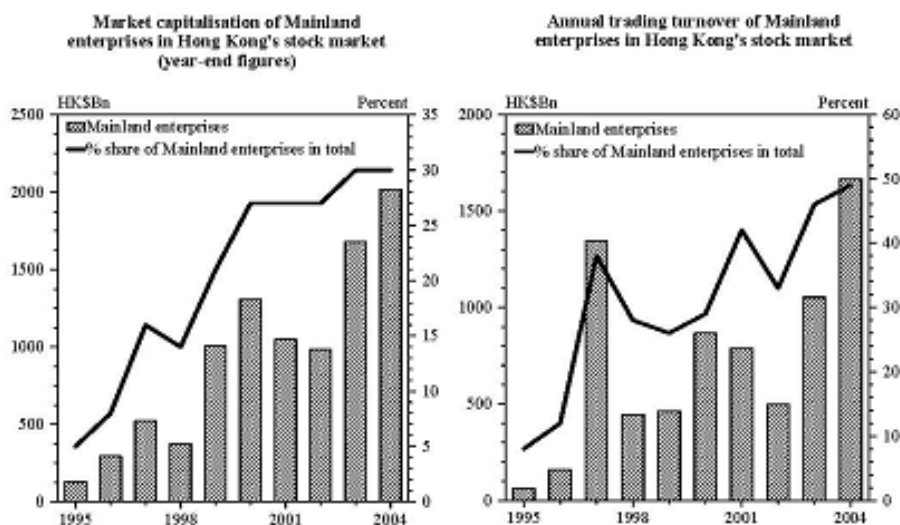
Mainland enterprises in Hong Kong's stock market

Riding on the rapid economic development in Mainland China, many Mainland enterprises have gone public listing in the past decade or so. Hong Kong has been a prime fund raising centre for these enterprises, due to its free flow of capital, access to international and institutional investors, and pool of talents and expertises.

Mainland enterprises listed in Hong Kong Stock Exchange can be classified into three categories : H-share companies, Red Chip companies and Non-H share Mainland private enterprises. Over the past decade, the number of listed Mainland enterprises in Hong Kong increased steadily, and reached 304 at year-end 2004 from 57 in 1994. This was equivalent to 28% of the total number of listed companies in Hong Kong. Also, all of the ten largest IPOs by volume of funds raised in Hong Kong are Mainland enterprises.



Mainland enterprises are also popular investment equities for local as well as international investors. Reflecting this, both the market capitalization and annual trading turnover of the listed Mainland enterprises surged at an average annual rate of 34% over the period 1994-2004. Their market capitalization reached 30% of the total at year-end 2004, from only 5% a decade earlier. Furthermore, around 50% of the total annual trading turnover in Hong Kong's stock market are related to shares of Mainland enterprises in 2004, up from 9% in 1994.



As the Mainland market continues to liberalise, more Mainland enterprises are expected to get listed in stock exchanges. With proximity to the Mainland and its well-developed financial infrastructure, Hong Kong would remain the leading listing destination for Mainland enterprises. This would further strengthen Hong Kong as an international financial centre and attract investors from around the world.