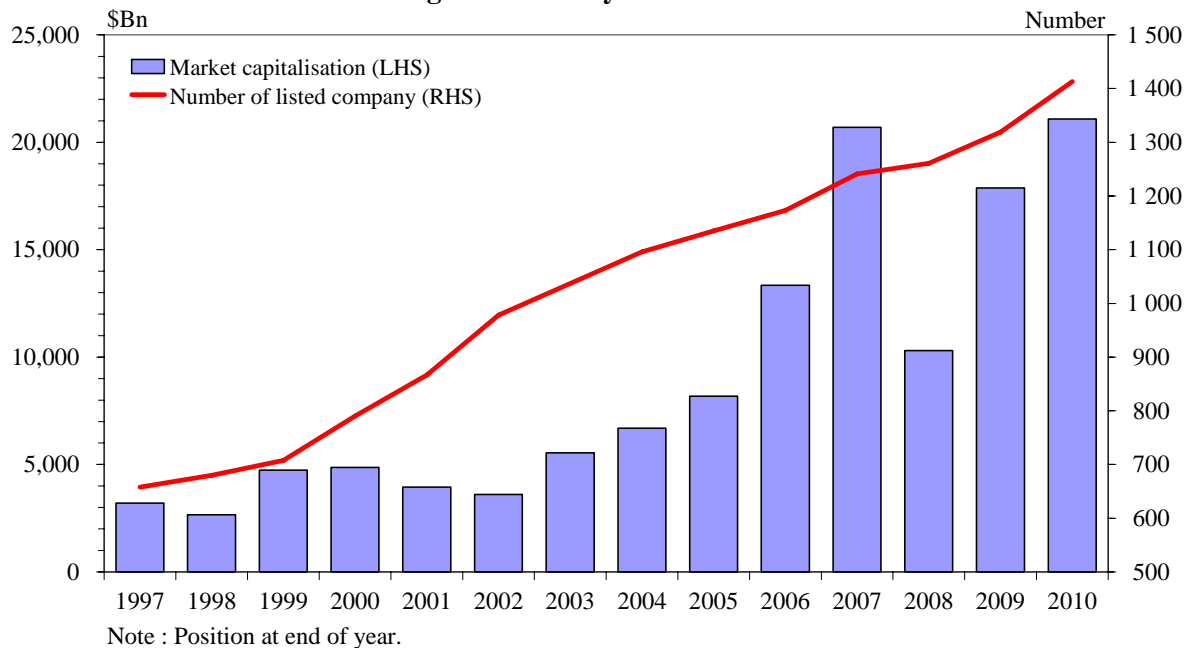


Box 4.1**Development of Hong Kong's stock market since 1997**

As one of the pillars of the financial services industry, the stock market in Hong Kong has staged a spectacular growth since 1997. Comparing end-2010 with end-1997, the number of listed companies soared by 115% to 1 413. These listed companies included many large companies, particularly in the real estate, telecommunication, petroleum and financial services sectors. Also due to the rise in equity prices over the years, the market capitalisation of Hong Kong's stock market jumped by an even sharper 558% to \$21 trillion, advancing its global ranking from the tenth to the seventh over the period.

Both number of listed company and market capitalisation grew markedly since 1997

Hong Kong's stock market is renowned for its strong fund raising capability. The amount of equity fund raised in the market soared to \$859 billion in 2010, a sharp 247% higher than in 1997. Within the total, fund raised from initial public offerings (IPOs) soared by 450% to \$449 billion. The local trading bourse ranked the first globally in equity fund raised through IPOs in both 2009 and 2010, with the amount raised in 2010 accounting for almost one-fifth of the global IPO funds raised.

Mainland enterprises are a major contributor to Hong Kong's stock market. Underpinned by the various factors including the rule of law, free flow of capital and information, sound regulatory framework, efficient financial markets and strong pool of qualified professionals, Hong Kong has been the premier fund raising centre for Mainland enterprises. The number of listed Mainland enterprises in Hong Kong jumped by nearly 500% from 101 at end-1997 to 592 at end-2010, and their share of market capitalisation leapt from 16% to 57% over the same period. In fact, nine out of the ten largest IPOs ever in Hong Kong were by Mainland enterprises.

Box 4.1 (Cont'd)**Table : Performance of Mainland enterprises in Hong Kong's stock market**

	End-1997	End-2010	Change (%)
Number of listed companies	101	592	486%
<i>Share of total</i>	<i>15.3%</i>	<i>41.9%</i>	<i>26.5% points</i>
Market capitalisation (\$ billion)	522	11,936	2 185%
<i>Share of total</i>	<i>16.3%</i>	<i>56.6%</i>	<i>40.3% points</i>
	1997	2010	Change (%)
Annual turnover (\$ billion)	1,344	8,436	528%
<i>Share of total</i>	<i>38.3%</i>	<i>68.0%</i>	<i>29.7% points</i>

Efforts have also been made in attracting the listing of non-Hong Kong, non-Mainland enterprises. Indeed, significant progress was achieved in 2010, as many large companies with strong Mainland nexus from Canada, Russia, Brazil and France were subsequently listed in Hong Kong.

Over the years, Hong Kong's stock market has also made significant achievements in product developments :

- *Exchange traded fund (ETF)* : Since the first ETF listing in 1999, ETF has been gaining its popularity in the local stock market, especially over the past few years. At end-2010, a total of 69 ETFs, which track the performance of a wide range of asset classes and equity indices in different geographic regions, were listed in Hong Kong.
- *Renminbi (RMB)-related products* : The first RMB-denominated bond and stock were listed in October 2010 and April 2011 respectively, marking another milestone for the further development of Hong Kong's stock market.

To enhance its status as an international financial centre, the Government has been improving the regulatory regime and corporate governance in Hong Kong, particularly through the rewriting of the Company Ordinance and the legislative exercise on listed companies' disclosure of price sensitive information. Also, the local trading bourse is exploring ways to further facilitate secondary listing of overseas companies in Hong Kong. Riding on these efforts, Hong Kong is well placed to capitalise on the opportunities ahead for the further development of the stock market.