

PRIMARY MARKET SURVEY 2001/02



Hong Kong Exchanges and Clearing Limited

Research & Policy, Corporate Strategy

31 December 2002



CONTENTS

	Page
Executive Summary	1
1. Introduction	5
2. Target respondents and Methodology	5
3. Limitations	7
4. General market conditions	8
5. The regulatory regime	11
6. Operation and costs	17
7. Information disclosure	20
8. Issuer governance and service providers	22
9. The Exchange	27
10. China Dimension	32



EXECUTIVE SUMMARY

HKEx (formerly the Stock Exchange of Hong Kong) has conducted the Primary Market Survey on a roughly triennial basis since 1991 for the periodic monitoring of the condition of, and user satisfaction with, the Hong Kong primary stock market and to identify areas for possible improvement. The targeted survey respondents comprise 838 listed companies, 68 investment banks and 107 fund management companies in Hong Kong. An overall response rate of 51% was achieved, which was considered satisfactory.

The “primary stock market” refers to all aspects of the listing of stocks on HKEx Main Board or Growth Enterprise Market (GEM), including fund raising, and of the subsequent maintenance of that listing and continuous compliance.

The survey is subject to a number of limitations which must be noted when interpreting the findings. These limitations include, among others, the fact that different respondents or types of respondents would have different familiarities with, and perceptions of, the market aspects and they may have conflicts of interest. These would affect an objective evaluation of market performance.

General market conditions

- Overall, the general condition of the primary stock market was considered good. 57% of the respondents showed high confidence in the Hong Kong primary stock market.
- Over 50% of respondents considered fund raising capability for initial listing and subsequent issues were good.

The regulatory regime

- For the initial listing requirements, two-thirds of all respondents (64%) considered those for the Main Board appropriate (vs 5% considered them lax and 29% stringent), while one-third (35%) of all respondents considered those for GEM to be appropriate (vs 39% considered them lax and 17% stringent).
- For compliance requirements, those for Main Board were considered more or less appropriate, while those for GEM were considered stringent by GEM companies but lax by fund managers.
- A large proportion of all respondents (40%) considered the regulation of Main Board companies to be effective, only 16% considered it to be ineffective. A smaller proportion of respondents were positive on the regulation of GEM companies (25% considered it effective vs 25% ineffective).
- A higher degree of satisfaction was obtained on the regulation of sponsors for Main Board than for GEM (28% considered it effective for Main Board vs 22% for GEM).
- 30% of all respondents considered that the division of primary market regulatory duties between HKEx and the SFC was clear (46% considered unclear).
- 29% of all respondents considered the regulation of insider trading effective (38% considered it ineffective).



Operation and costs

- 36% of all respondents considered the initial public offering (IPO) process to be efficient (vs 28% considered it inefficient). Over 50% of respondents supported a fully electronic IPO process.
- About one-fifth of Main Board and GEM companies considered the costs for initial listing and for maintaining a listing to be competitive (one-third of Main Board companies and half of GEM companies considered them uncompetitive).

Information disclosure

- Listed companies considered the content and timeliness of information disclosure of Main Board and GEM companies to be fairly good (49% and 51% were positive respectively on Main Board; corresponding figures for GEM were 37% and 46%). Among listed companies, Mainland companies were more positive on the issue.
- Fund managers were less positive on the information disclosure of listed companies, especially that of GEM companies (37% and 43% of fund managers were positive on the content and timeliness of information disclosure of Main Board; corresponding figures for GEM were 14% and 28%).
- 76% of fund managers supported Main Board companies adopting quarterly reporting, while 64% of Main Board companies did not support it.

Issuer governance and service providers

- 32% of investment banks and 28% of fund managers considered the corporate governance of Main Board companies good (30% of investment banks and 38% of fund managers considered it poor).
- 27% of investment banks and 12% of fund managers considered the corporate governance of GEM companies good (38% investment banks and 64% fund managers considered it poor).
- The professional conduct and service quality of various service providers —sponsors of listed companies, lawyers, accountants, asset valuers and share registrars —were considered quite good. Among them, share registrars received the highest satisfaction (over 60% of all respondents positive).

The Exchange

- The efficiency of the Exchange in processing of initial listing applications was considered moderately satisfactory (34% positive vs 26% negative); that of subsequent share issues received higher degree of satisfaction (42% positive vs 14% negative).
- Opinions from listed companies on the Exchange's fairness, consistency and transparency were quite diverse —about one-third being positive and around 20-32% negative. Fund managers also had diverse opinions on the issues —around 20-30% being positive and a similar proportion negative. Less than 30% of investment banks were satisfied, over 40% were not satisfied.
- Respondents considered that the priority the Exchange gave to public interest was fairly high (48% positive vs 16% negative).
- Respondents were also fairly positive about the Exchange's professionalism and quality of service (over 40% of all respondents positive vs about 20% negative). In general, respondents were also satisfied with the Exchange's guidance on Listing Rules compliance and



responsiveness to the business needs of the primary stock market (over one-third positive on the respective issues vs about a quarter negative). However, fewer investment banks were positive than negative about the Exchange's performance in providing guidance on rules compliance, serving the business needs of the primary stock market, service quality and professionalism.

China dimension

- Investment banks and fund managers were in general more positive about Hong Kong Main Board and GEM companies than about Hong Kong-listed Mainland enterprises with respect to the effectiveness of regulation as well as content and timeliness of information disclosure.
- For the primary listing of Mainland enterprises, the Hong Kong stock market's attractiveness is high vis-à-vis overseas markets (59% positive vs 9% negative), and quite high vis-à-vis Mainland China (43% positive vs 32% negative).
- In selecting the venue for the listing of Mainland enterprises, Hong Kong-listed Mainland companies considered fund raising capability, international status and market reputation for quality the most significant factors, while investment banks considered fund raising capability, price-earnings ratio and international status the most significant.

Comparison with 1998 survey findings

Although the survey methodology was somewhat different in 1998, broad comparison of the two surveys' findings reveals the following.

- Overall positive views were obtained on the following aspects in 2001/02 and 1998, with a higher degree of satisfaction in 2001/02:
 - effectiveness of regulation of Main Board companies; and
 - corporate governance of Main Board companies.
- Main Board listing requirements were considered more or less appropriate in both 1998 and 2001/02; a higher proportion of respondents considered initial listing requirements appropriate in 2001/02 than in 1998. The content and timeliness of information disclosure of Main Board companies attained similarly positive ratings in the both surveys.
- Overall views became positive in 2001/02 on the effectiveness of regulation of sponsors of Main Board, compared to views towards the negative in 1998.
- The general market conditions including the initial and subsequent fund-raising capability, competitiveness of pricing of IPOs, and attractiveness of market liquidity and the investor base were considered favourable but to a lower degree than in 1998.
- Overall views were positive on the following aspects, despite a somewhat lower degree of satisfaction compared with 1998:
 - efficiency of IPO process;
 - professional conduct and service quality of lawyers, accountants, asset valuers and share registrars;
 - the Exchange's performance on the efficiency of initial listing applications, guidance on Listing Rules compliance, responsiveness of the Exchange in serving the business needs of the market, service quality and professionalism; and
 - The Hong Kong stock market's attractiveness compared with overseas markets for the primary listing of Mainland enterprises.



- The following aspects gained a higher degree of satisfaction in 2001/02 than in 1998, despite a slightly smaller proportion of respondents being positive than negative:
 - effectiveness of regulation of insider trading;
 - effectiveness of regulation of Mainland companies; and
 - content and timeliness of information disclosure by Mainland companies.
- Opinions became more divided in 2001/02 than in 1998 on the following aspects:
 - responsiveness of regulatory regime to market needs; and
 - consistency and transparency of the Exchange's decisions.
- A smaller proportion of respondents were satisfied on the following aspects in 2001/02 than in 1998:
 - quality of analysts' research; and
 - competitiveness of the overall costs for obtaining and maintaining a listing on the Main Board.



1. INTRODUCTION

For the periodic monitoring of the condition of, and user satisfaction with, the Hong Kong primary stock market, and to identify areas for possible improvement, HKEx (formerly the Stock Exchange of Hong Kong) has conducted the Primary Market Survey on a roughly triennial basis since 1991. The 2001/02 survey was the fourth in the series. The last survey was conducted in 1998.

The “primary stock market” refers to all aspects of the listing of stocks on HKEx Main Board and Growth Enterprise Market (GEM), including fund raising, and of the subsequent maintenance of that listing and continuous compliance.

The objectives of the survey are:

- (1) To obtain market users’ opinions on the Hong Kong primary stock market;
- (2) To assess market users’ satisfaction with the services provided by primary stock market intermediaries and professional advisers;
- (3) To obtain market users’ opinions on primary stock market-related developments and potential improvements; and
- (4) To assess market users’ confidence in the primary stock market’s fairness, integrity and transparency, and in HKEx’s respect for the public interest, as well as satisfaction with the Exchange’s services to the primary stock market.

2. TARGET RESPONDENTS AND METHODOLOGY

The primary market users covered in the survey comprise listed companies, investment banks and fund management companies in Hong Kong.

The survey fieldwork was conducted from December 2001 to January 2002 with survey questionnaires mailed to the target respondents for their voluntary completion and return. The target population consisted of 838 listed companies¹ at the time of the survey, 68 investment banks which participated in the Hong Kong primary stock market, and 107 fund management companies² in Hong Kong. Listed companies were further categorised into: [i] Main Board companies (741) and GEM companies (97) in one dimension; and [ii] Mainland companies (H shares and red chips) (122) and non-Mainland companies (716) in another dimension.

The respondents were asked to express their opinions on a seven-point scale on statements on the following areas of the primary stock market: general market conditions, regulatory regime, operation and costs, information disclosure, issuer governance and service providers, the Exchange and the China dimension. Additional qualitative comments were also invited at the end of the questionnaire. The overall response rate was 51%, which was considered satisfactory.

¹ Excluding companies in liquidation and Hong Kong Exchange and Clearing Limited.

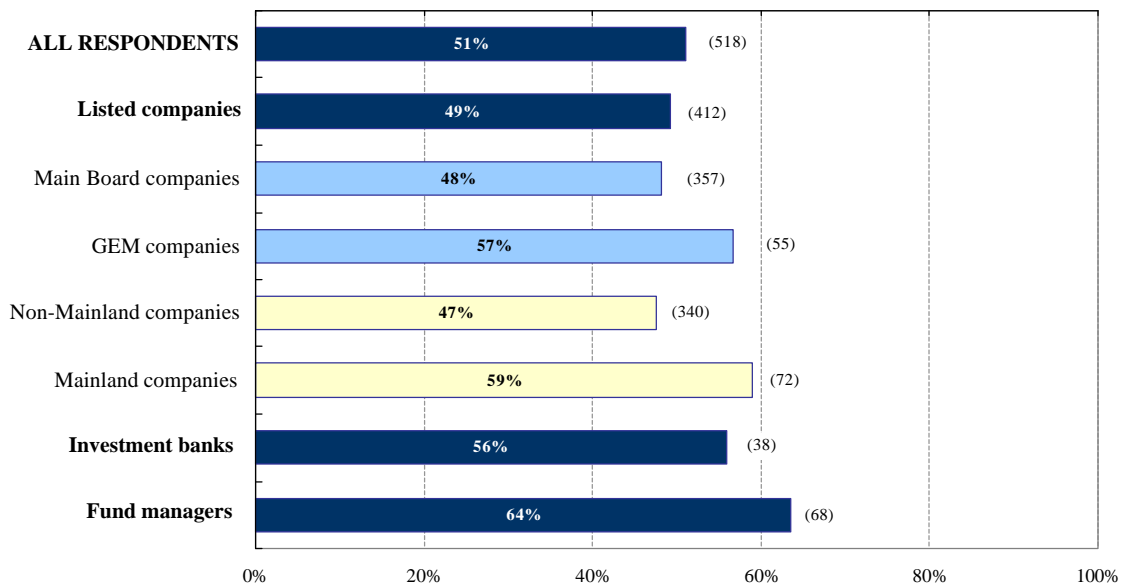
² Fund management companies included companies registered with the SFC and identified as such, and members of the Hong Kong Investment Fund Association (HKIFA), excluding those who were found to have no business in managing funds in HKEx-listed stocks.

Statistical analysis of responses to each statement was done by analysing the frequency distribution along the rating scale and the mean score. As the responded sample is dominated by listed companies and different types of target respondents have, by nature, different interests and areas of concern, responses were further analysed by respondent type and where appropriate statistical tests for significant difference were performed. Results were interpreted based on analysis of the overall responded sample and/or analysis by respondent type, as appropriate.

Where practicable and appropriate, the current survey findings were compared to those of the last survey in 1998 to assess any changes in respondents' perceptions of performance. However, the 1998 survey used a different rating scale and a different approach in asking most of the questions. In 1998, most questions were designed to ask respondents to express their *degree of agreement* on a *5-point scale* to positive statements about various aspects of the Hong Kong primary stock market. In 2001/02, respondents were asked to express their *opinion* on each aspect in response to questions on a *seven-point scale with positive and negative ends*. Therefore, only broad qualitative comparison with the 1998 survey results —on the direction of change in opinion instead of quantified degree of change — could be performed. In addition, comparison was made mainly on the overall perceptions of respondents while comparison by respondent type was made only to the extent reasonable.

There is no comparison for issues related to GEM with the 1998 survey since GEM was introduced in November 1999, i.e. after the 1998 survey.

Figure 1. Response rates by type of respondents



(): Number of respondents



3. LIMITATIONS

The survey is subject to the following limitations that should be taken into consideration when interpreting the findings:

- (1) The voluntary response nature of the survey may result in sampling bias. The returned sample may differ in certain characteristics from the non-respondents. Nevertheless, the bias should not be too great as the responded sample size is relatively large.
- (2) The responded sample is dominated by listed companies (about 80%). This must be born in mind when interpreting the overall responses to a particular issue. In addition, different types of respondents have, by nature, different interests and areas of concern which may sometimes conflict. Analysis by respondent type is provided.
- (3) In some areas, there are conflicting responsibilities and duties between HKEx and the respondent types. Such conflict may be reflected in the opinion the respondents gave. This should be born in mind when interpreting the issues relating to the responsibilities and duties of HKEx.
- (4) Under the unfavourable market sentiment in 2001/02, primary stock market activities have shrunk. The respondents' opinions on the market condition may be negatively affected.
- (5) Certain types of respondents may be unfamiliar with certain question areas, and so they would respond according to their perceptions, which might deviate from an objective evaluation.
- (6) Different respondents might have differing degrees of familiarity with the issues, depending on the nature of their business, their size and business focus. This survey did not gather such background information on respondents and so cannot enable any correlation to be performed between the view respondents held on a particular area and their experience of that area.
- (7) Although there are other important users of the primary stock market —such as brokers and retail investors —their knowledge of the primary stock market is presumed to be less deep and therefore, to enable in-depth questions, they were excluded as survey respondents. Their opinions on certain key primary stock market issues such as regulation on listed companies are sought through separate surveys. Reference should be made to the results of this survey along side those of other surveys, e.g. Retail Investor Survey 2001 (available on HKEx website), in order to obtain a more complete view of users of the primary stock market.



For all quantitative analysis in the sections below, respondents giving a score of 4 are considered to take a neutral position; respondents giving a score of 1-3 (5-7) are considered to take the lower (higher) end positions; respondents giving 0 (i.e. don't know) are excluded from calculating the mean score.

4. GENERAL MARKET CONDITIONS

Overall, the general condition of the Hong Kong primary stock market was considered good. 57% of the respondents showed high confidence in the Hong Kong primary stock market (vs 12% showing low confidence). 60% and 50% of respondents considered respectively the initial and subsequent fund-raising capability high (vs 15% and 22% respectively considered it low). About 40% of respondents considered the liquidity and investor base attractive (vs a quarter considered it unattractive).

While listed companies were less positive, investment banks and fund managers found IPO pricing more or less competitive: 47%, 39% and 30% of investment banks, fund managers and listed companies respectively considered it competitive.

A smaller proportion of all respondents were positive than negative on analysts' research on Hong Kong listed companies (28% considered it good vs 39% poor).

In many aspects, Mainland companies were more positive than non-Mainland companies. GEM companies were less positive on the attractiveness of market liquidity than other respondent types (24% of GEM companies positive vs 39% of all respondents positive).

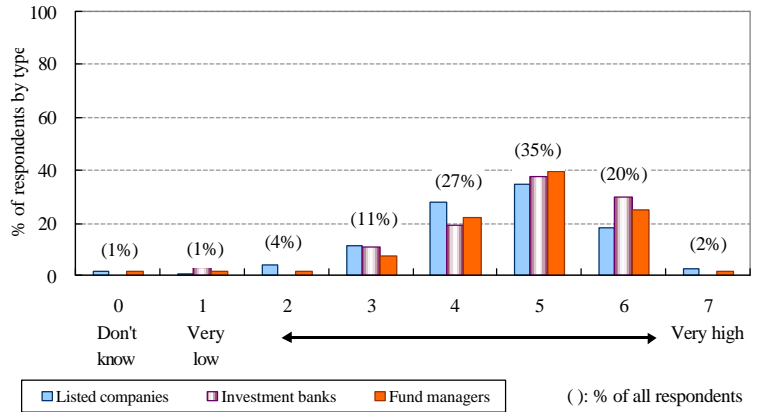
Relevant findings in the 1998 survey

In the 1998 survey, respectively 73% and 65% of respondents agreed that the initial and subsequent fund-raising capacity was good; 49%, 51% and 56% of all respondents respectively agreed to the competitiveness of the pricing of IPOs, the attractiveness of the trading liquidity and investor base in Hong Kong to issuers (vs 12%, 12% and 10% disagreed); 31% agreed that the quality of Hong Kong research on listed companies were good (vs 27% disagreed). Overall, findings on the above issues appeared to be less favourable in the 2001/02 survey than the net positive findings in the 1998 survey³.

³ In 1998, the value of fund raised from initial listings dropped by 92% from 1997. In 2001, the value dropped by 82% from 2000.

Q1.1 The Hong Kong stock market's fund-raising capability for new listings is ...(very low — very high)

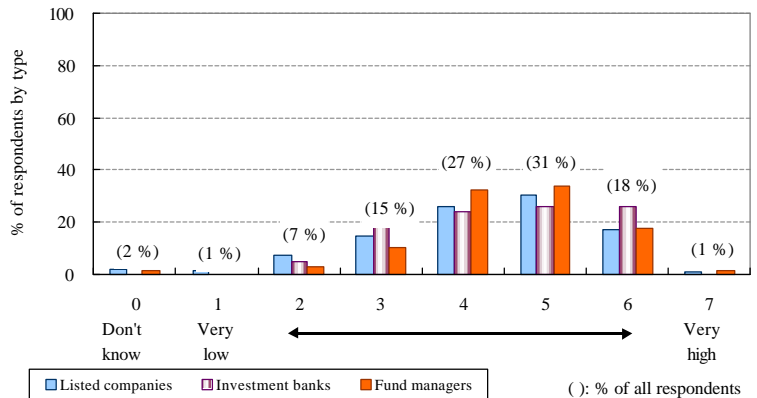
	<u>Mean score</u>
Listed companies	4.57
Main Board	4.59
GEM	4.43
Mainland	4.94 **
Non-mainland	4.49 **
Investment banks	4.78
Fund managers	4.81
All	4.62



** Significantly different at 1% confidence level.

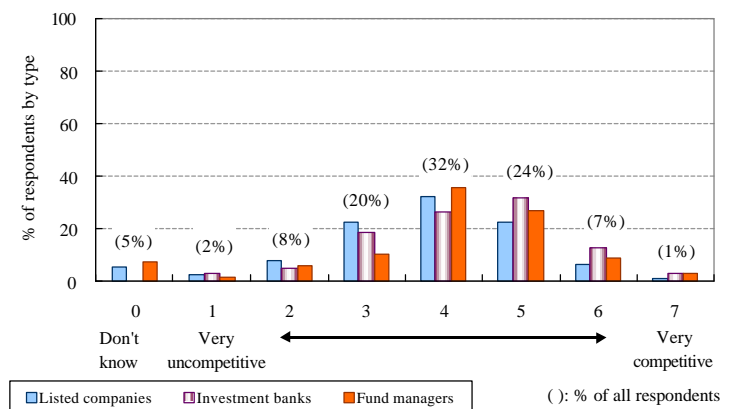
Q1.2 The potential for subsequent fund-raising after listing in the Hong Kong stock market is ...(very low —very high)

	<u>Mean score</u>
Listed companies	4.35
Main Board	4.38
GEM	4.19
Mainland	4.45
Non-mainland	4.33
Investment banks	4.50
Fund managers	4.58
All	4.39



Q1.3 The pricing of IPOs in Hong Kong is ...(very uncompetitive —very competitive)

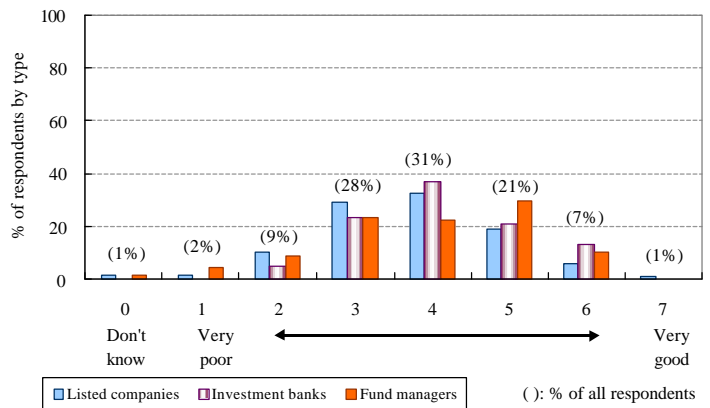
	<u>Mean score</u>
Listed companies	3.93 *
Main Board	3.97
GEM	3.71
Mainland	4.09
Non-mainland	3.90
Investment banks	4.29 *
Fund managers	4.29 *
All	4.01



* Significantly different at 5% confidence level.

Q1.4 Analyst research on Hong Kong listed companies is ... (very poor —very good)

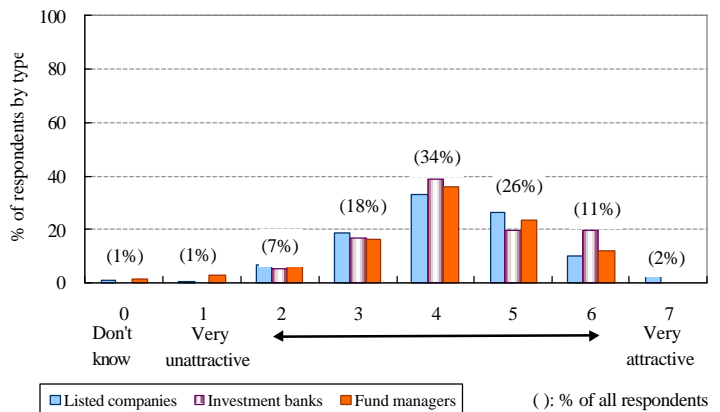
	<u>Mean score</u>
Listed companies	3.80
Main Board	3.84
GEM	3.57
Mainland	4.21 **
Non-mainland	3.72 **
Investment banks	4.13
Fund managers	3.96
All	3.85



** Significantly different at 1% confidence level.

Q1.5 To listed companies, the liquidity of the Hong Kong stock market is ... (very unattractive —very attractive)

	<u>Mean score</u>
Listed companies	4.22
Main Board	4.30 **
GEM	3.73 **
Mainland	4.49 *
Non-mainland	4.17 *
Investment banks	4.31
Fund managers	4.08
All	4.21

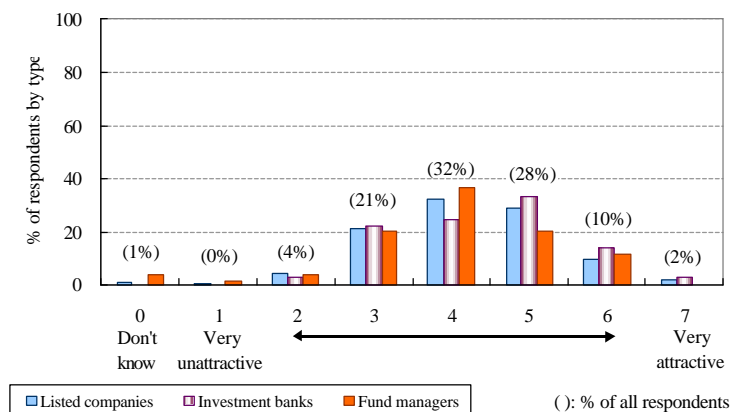


* Significantly different at 5% confidence level.

** Significantly different at 1% confidence level.

Q1.6 To listed companies, the investor base of the Hong Kong stock market is ... (very unattractive —very attractive)

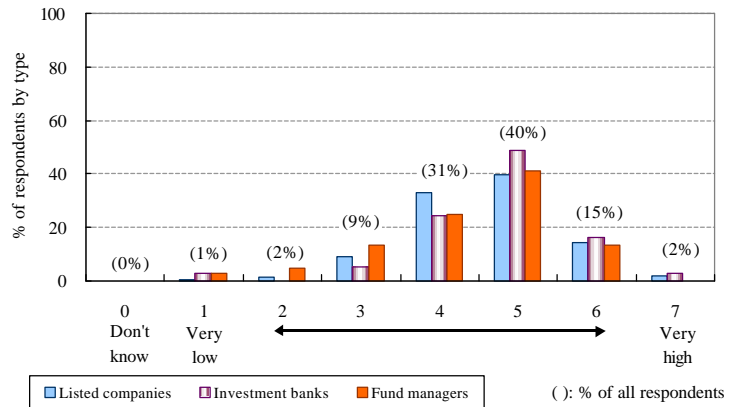
	<u>Mean score</u>
Listed companies	4.23
Main Board	4.24
GEM	4.15
Mainland	4.50 *
Non-mainland	4.17 *
Investment banks	4.42
Fund managers	4.11
All	4.23



* Significantly different at 5% confidence level.

Q1.7 Overall, your confidence in the Hong Kong primary stock market is ...(very low —very high)

	<u>Mean score</u>
Listed companies	4.61
Main Board	4.64
GEM	4.44
Mainland	4.94 **
Non-mainland	4.54 **
Investment banks	4.76
Fund managers	4.37
All	4.59



** Significantly different at 1% confidence level.

5. THE REGULATORY REGIME

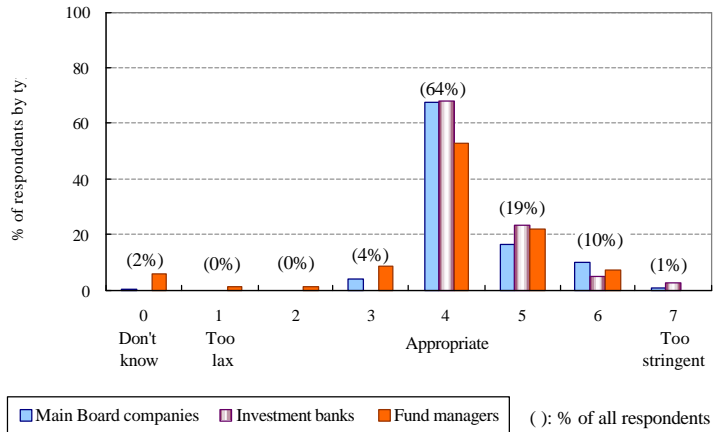
Initial listing requirements and compliance requirements

For the initial listing requirements, two-thirds of all respondents (64%) considered those for the Main Board appropriate (vs 5% considered them lax and 29% stringent), up from 54% considering them appropriate in 1998. One-third (35%) of all respondents considered the initial listing requirements for GEM to be appropriate (vs 39% considered them lax and 17% stringent). GEM companies themselves considered them quite stringent (33% considered it appropriate, 22% lax, 45% stringent).

Similarly, a large proportion of respondents (51%) considered the compliance requirements for the Main Board appropriate (10% lax, 36% stringent) while relatively fewer respondents (36%) considered those for GEM appropriate (23% lax, 28% stringent). GEM companies, however, considered their compliance requirements stringent (15% considered it appropriate, 2% lax, 84% stringent). Compared to other respondent types, a larger proportion of fund managers considered the initial listing requirements lax for GEM (59%) and compliance requirements lax for both Main Board and GEM (34% and 58% respectively).

Q2.1(1) The initial listing requirements for listed companies are ... (too lax —too stringent) for the Main Board.

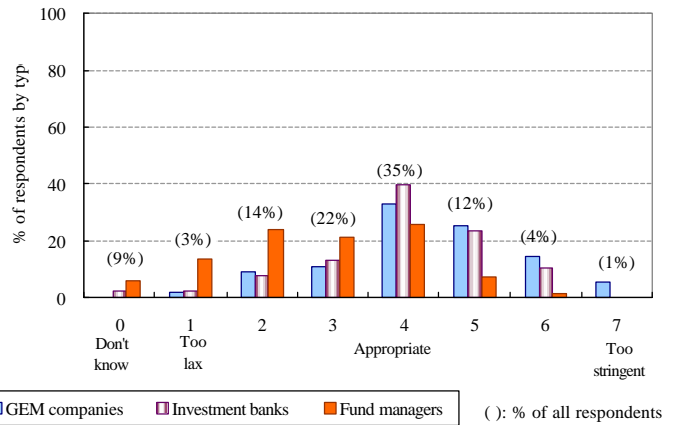
	<u>Mean score</u>
Listed companies	4.39
Main Board	4.37
GEM	4.57
Mainland	4.60 *
Non-mainland	4.35 *
Investment banks	4.42
Fund managers	4.22
All	4.37



* Significantly different at 5% confidence level.

Q2.1(2) The initial listing requirements for listed companies are ... (too lax —too stringent) for GEM.

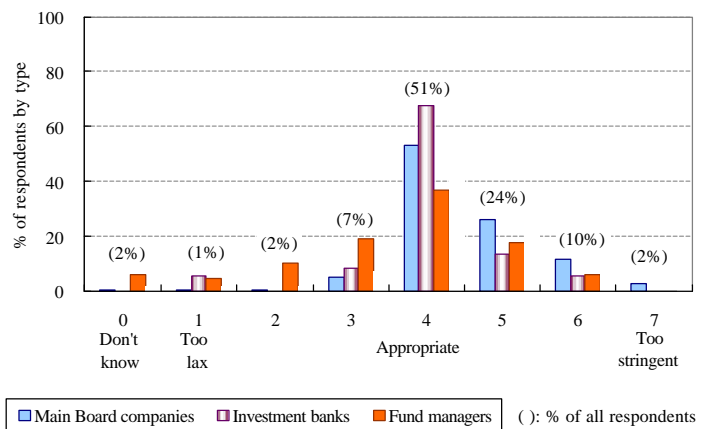
	<u>Mean score</u>
Listed companies	3.68 ***
Main Board	3.56 ^^
GEM	4.36 ^^
Mainland	3.60
Non-mainland	3.70
Investment banks	4.08 ***
Fund managers	2.94 ***
All	3.61



***, ^^ Significantly different at 0.1% confidence level.

Q2.2(1) The compliance requirements after listing for listed companies are ... (too lax —too stringent) for the Main Board.

	<u>Mean score</u>
Listed companies	4.50 ***
Main Board	4.50
GEM	4.46
Mainland	4.72 *
Non-mainland	4.45 *
Investment banks	4.00 ***
Fund managers	3.75 ***
All	4.36

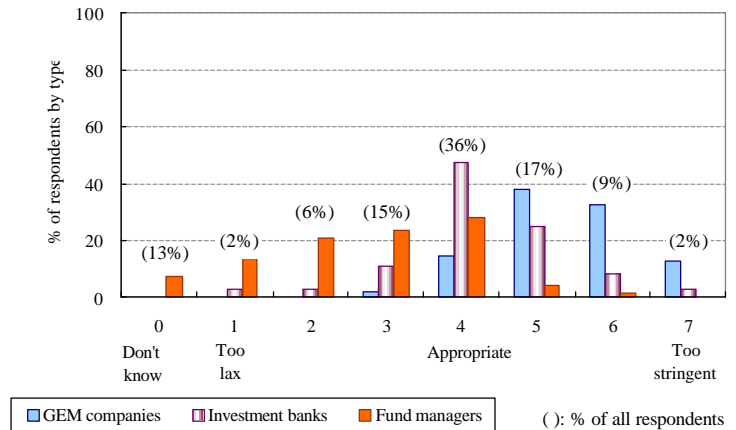


* Significantly different at 5% confidence level.

*** Significantly different at 0.1% confidence level.

Q2.2(2) The compliance requirements after listing for listed companies are ... (too lax —too stringent) for GEM.

	<u>Mean score</u>
Listed companies	4.29***
Main Board	4.07^^
GEM	5.40^^
Mainland	4.14
Non-mainland	4.31
Investment banks	4.25***
Fund managers	2.94***
All	4.09



***, ^^ Significantly different at 0.1% confidence level.

Regulation of listed companies and sponsors

40% of all respondents considered the regulation of Main Board companies effective; only 16% considered it ineffective. 25% of all respondents considered the regulation of GEM companies effective (vs 25% ineffective).

Regarding the regulation of sponsors of listed companies, 28% considered it effective for the Main Board and 22% considered it effective for GEM (vs 19% and 27% considered it ineffective respectively).

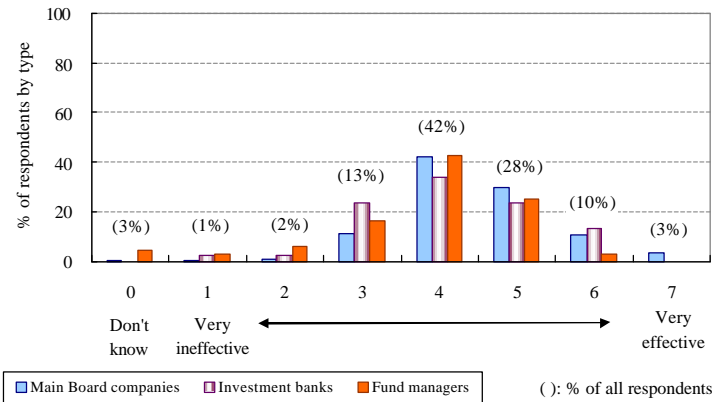
Among types of respondents, fund managers were generally less positive on the effective regulation of listed companies and sponsors, while investment banks were generally more positive on the effective regulation of sponsors.

Relevant findings in the 1998 survey

In the 1998 survey, 38% of respondents agreed that Main Board companies were regulated effectively (vs 23% disagreed); 24% agreed that sponsors of Main Board companies were regulated effectively (vs 37% disagreed). The 2001/02 survey findings showed more positive views on the issues.

Q2.6(1) The regulation of listed companies is ... (very ineffective —very effective) for the Main Board.

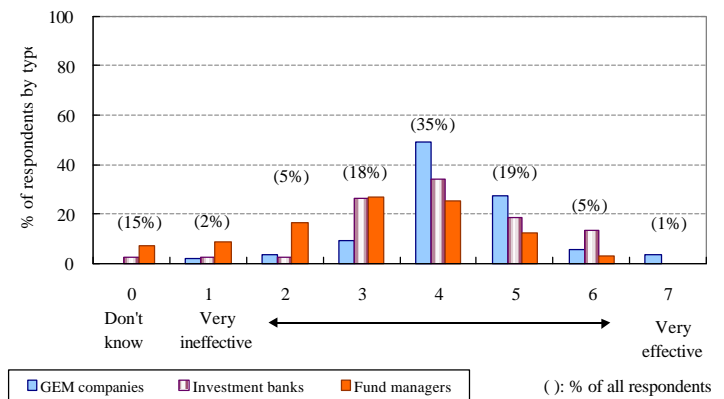
	<u>Mean score</u>
Listed companies	4.45 ***
Main Board	4.47
GEM	4.28
Mainland	4.87 ^^
Non-mainland	4.36 ^^
Investment banks	4.13 ***
Fund managers	3.94 ***
All	4.36



***, ^^ Significantly different at 0.1% confidence level.

Q2.6(2) The regulation of listed companies is ... (very ineffective —very effective) for GEM.

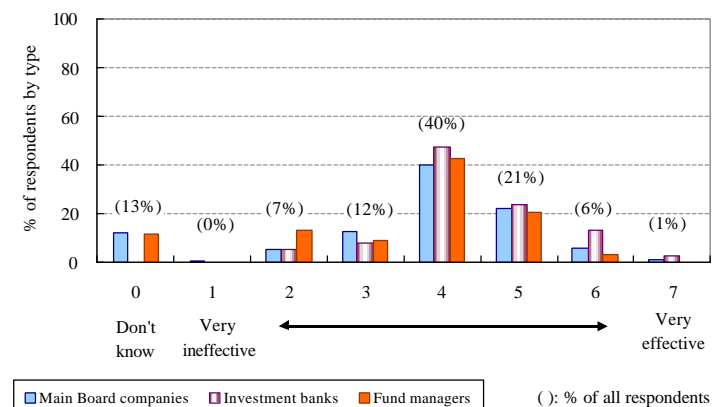
	<u>Mean score</u>
Listed companies	4.12 ***
Main Board	4.08
GEM	4.27
Mainland	4.36
Non-mainland	4.08
Investment banks	4.05 ***
Fund managers	3.26 ***
All	3.99



*** Significantly different at 0.1% confidence level.

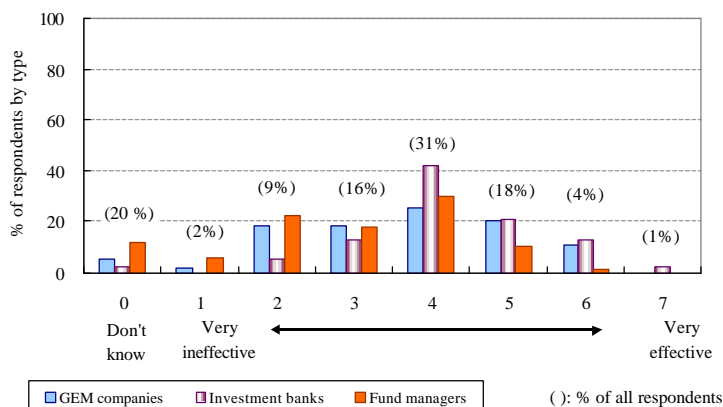
Q2.7(1) The regulation of sponsors of listed companies is ... (very ineffective —very effective) for the Main Board.

	<u>Mean score</u>
Listed companies	4.12
Main Board	4.16
GEM	3.84
Mainland	4.30
Non-mainland	4.09
Investment banks	4.39
Fund managers	3.90
All	4.12



Q2.7(2) The regulation of sponsors of listed companies is ... (very ineffective —very effective) for GEM.

	<u>Mean score</u>
Listed companies	3.90 ***
Main Board	3.91
GEM	3.81
Mainland	3.93
Non-mainland	3.89
Investment banks	4.32 ***
Fund managers	3.24 ***
All	3.84



*** Significantly different at 0.1% confidence level.

Other regulatory issues

Diverse opinions were obtained on the usefulness of the Chinese version of listed company announcements, circulars and financial reports. GEM companies and investment banks considered it not very useful (about one-third or less considered it useful, over 40% not useful) while Mainland companies considered it useful (64% useful, 15% not useful).

Opinions on the responsiveness of the primary market regulatory regime to changing market needs were also quite diverse. Listed companies were marginally positive (34% considered it responsive vs 28% unresponsive) while Mainland companies were more positive (49% considered it responsive vs 24% unresponsive). However, 18% of investment banks considered it responsive (vs 74% unresponsive).

About half of investment banks (47%), who have more direct business connection with HKEx and SFC, considered that the division of primary market regulatory duties between HKEx and SFC was clear (18% considered it unclear). In addition, 30% of listed companies and 19% of fund managers considered it clear (46% and 57% respectively considered it unclear).

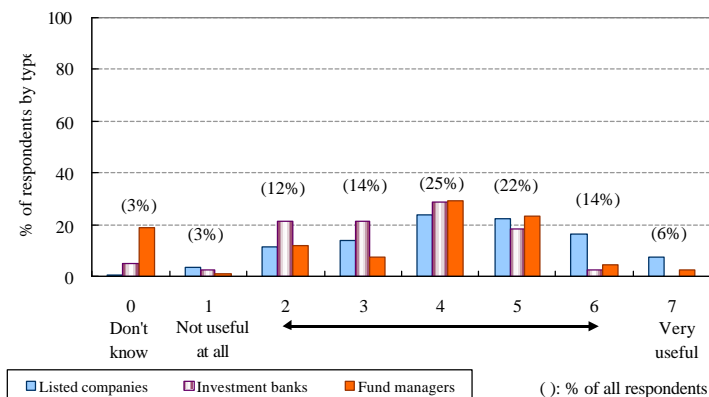
29% of all respondents considered the regulation of insider trading in the stock market effective while 38% considered it ineffective. However, 15% of fund managers considered the regulation effective (61% considered it ineffective).

Relevant findings in the 1998 survey

In the 1998 survey, 35% of respondents agreed that the primary market regulatory regime was responsive to changing market needs (vs 22% disagreed) —opinions appeared to be more divided in 2001/02 than in 1998; less than one-fourth of respondents (22%) agreed that insider trading in Hong Kong was regulated effectively (vs 41% disagreed) —the 2001/02 findings showed slight improvement on this issue.

Q2.3 The Chinese version of listed company announcements, circulars and financial reports is ...(not useful at all —very useful)

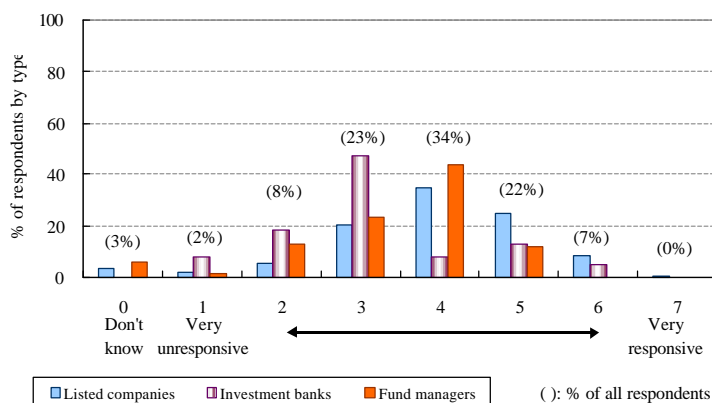
	<u>Mean score</u>
Listed companies	4.29 **
Main Board	4.36 *
GEM	3.84 *
Mainland	5.10 ***
Non-mainland	4.12 ***
Investment banks	3.50 **
Fund managers	4.07 **
All	4.21



* Significantly different at 5% confidence level.
 ** Significantly different at 1% confidence level.
 *** Significantly different at 0.1% confidence level.

Q2.4 The primary market regulatory regime is ... (very unresponsive —very responsive) to changing market needs.

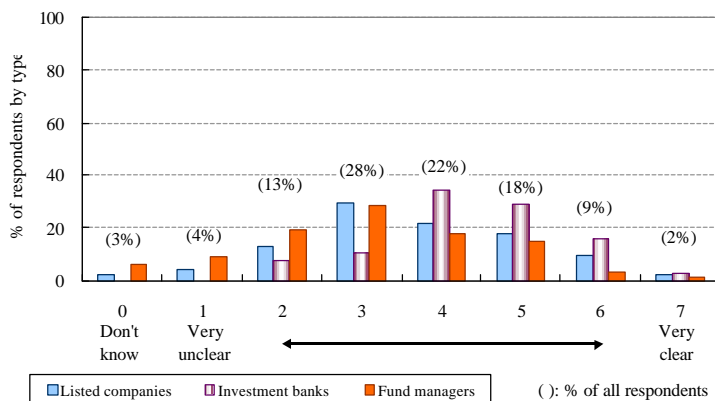
	<u>Mean score</u>
Listed companies	4.07 ***
Main Board	4.07
GEM	4.06
Mainland	4.43 **
Non-mainland	3.99 **
Investment banks	3.16 ***
Fund managers	3.55 ***
All	3.93



** Significantly different at 1% confidence level.
 *** Significantly different at 0.1% confidence level.

Q2.5 The division of primary market regulatory duties between HKEx and the SFC is ...(very unclear —very clear).

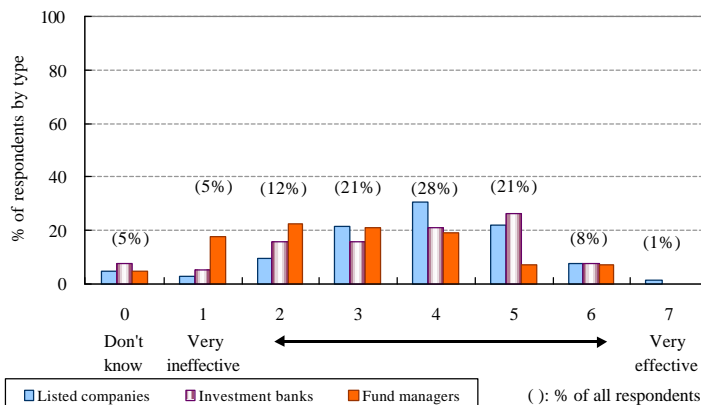
	<u>Mean score</u>
Listed companies	3.76 ***
Main Board	3.79
GEM	3.57
Mainland	4.14 *
Non-mainland	3.68 *
Investment banks	4.42 ***
Fund managers	3.27 ***
All	3.75



* Significantly different at 5% confidence level.
 *** Significantly different at 0.1% confidence level.

Q2.8 The regulation of insider trading in the stock market is ... (very ineffective —very effective)

	<u>Mean score</u>
Listed companies	3.92 ***
Main Board	3.92
GEM	3.91
Mainland	4.08
Non-mainland	3.88
Investment banks	3.77 ***
Fund managers	2.98 ***
All	3.78



*** Significantly different at 0.1% confidence level.

6. OPERATION AND COSTS

IPO process

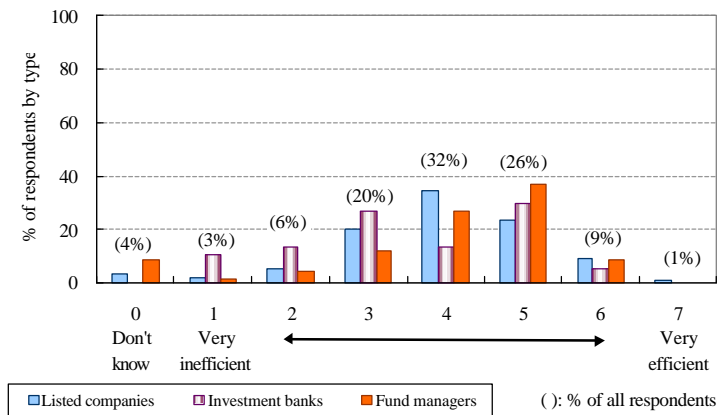
36% of all respondents considered the initial public offering (IPO) process to be efficient (28% considered it inefficient). Among different types of respondents, Mainland companies and fund managers were more satisfied: about 45% considered it efficient, less than 20% inefficient; the satisfaction of investment banks and GEM companies was lower (about one-third considered it efficient, about half inefficient). Respondents, especially listed companies and fund managers, were supportive of a fully electronic IPO process (53% considered it useful, 18% considered it not useful).

Relevant findings in the 1998 survey

In the 1998 survey, almost half of the respondents (47%) agreed that the Exchange's listing process for IPOs was efficient (vs 10% disagreed). The 2001/02 findings appeared to be less favourable than that in 1998. However, it must be noted that GEM board had not been introduced in 1998 so that the findings refer to the overall perception of the respondents and do not pertain to either Main Board or GEM IPO process.

Q3.1 The initial public offering (IPO) process is ... (very inefficient —very efficient)

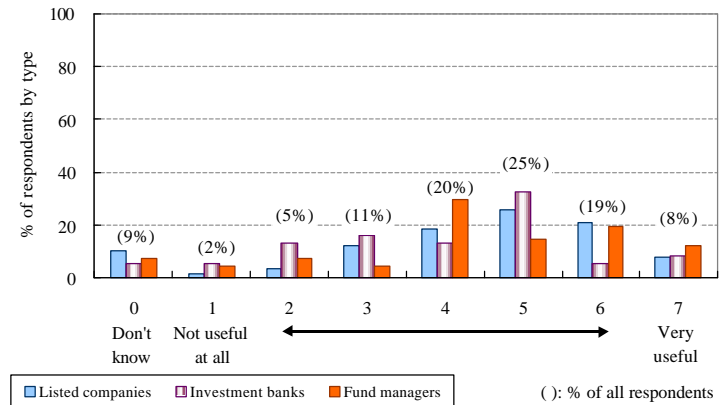
	<u>Mean score</u>
Listed companies	4.09 **
Main Board	4.13 *
GEM	3.80 *
Mainland	4.60 ***
Non-mainland	3.98 ***
Investment banks	3.54 **
Fund managers	4.33 **
All	4.07



* Significantly different at 5% confidence level.
 ** Significantly different at 1% confidence level.
 *** Significantly different at 0.1% confidence level.

Q3.2 A fully electronic initial public offering (eIPO) process would be ...(not useful at all — very useful)

	<u>Mean score</u>
Listed companies	4.75 *
Main Board	4.77
GEM	4.58
Mainland	5.05
Non-mainland	4.69
Investment banks	4.09 *
Fund managers	4.61 *
All	4.68



* Significantly different at 5% confidence level.

Listing costs

Investment banks generally considered the costs for obtaining and maintaining a listing on the Main Board to be competitive (30% and 41% positive on those issues respectively vs 14% negative on both). Among Main Board companies, 20% considered the cost competitive (over one-third considered it uncompetitive). Compared to Main Board companies, respondents were less positive on the competitiveness of the costs for GEM companies to obtain and maintain a listing.

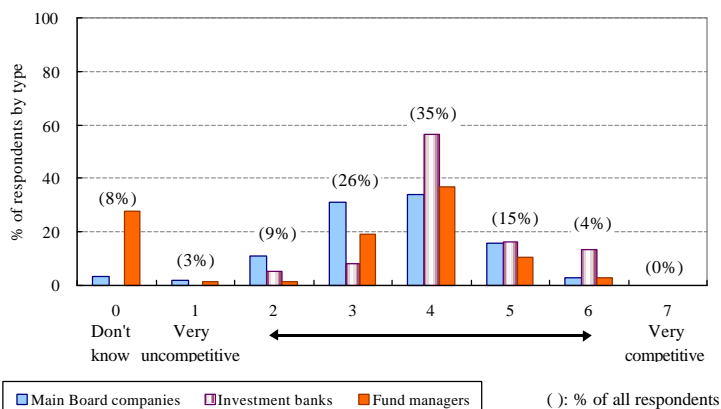
19% of all respondents considered the cost for obtaining a listing on the Main Board competitive and 38% considered it uncompetitive. For the cost of maintaining a listing on the Main Board, 20% considered it competitive and 32% considered it uncompetitive..

Relevant findings in the 1998 survey

In the 1998 survey, 38% and 43% of respondents respectively agreed that the overall costs for IPOs and for maintaining a listing were competitive (vs 16% and 12% respectively disagreed). The 2001/02 findings on listing costs appeared to be less favourable than that in 1998. It should be noted that two surveys were conducted in different economic conditions.

Q3.3(1) Overall costs for obtaining a listing are ... (very uncompetitive —very competitive) on the Main Board.

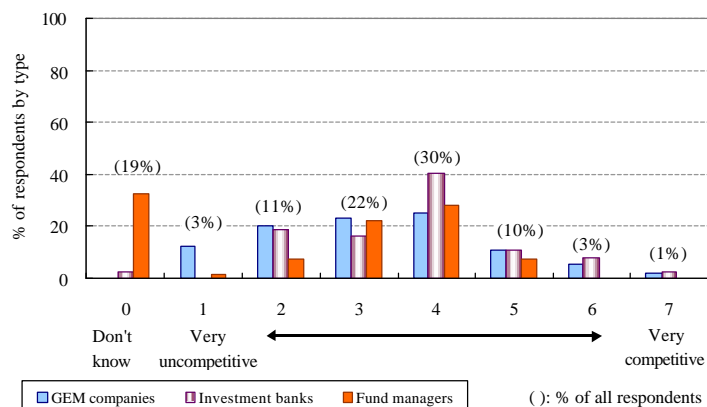
	<u>Mean score</u>
Listed companies	3.62 *
Main Board	3.62
GEM	3.64
Mainland	3.76
Non-mainland	3.59
Investment banks	4.24 *
Fund managers	3.86 *
All	3.69



* Significantly different at 5% confidence level.

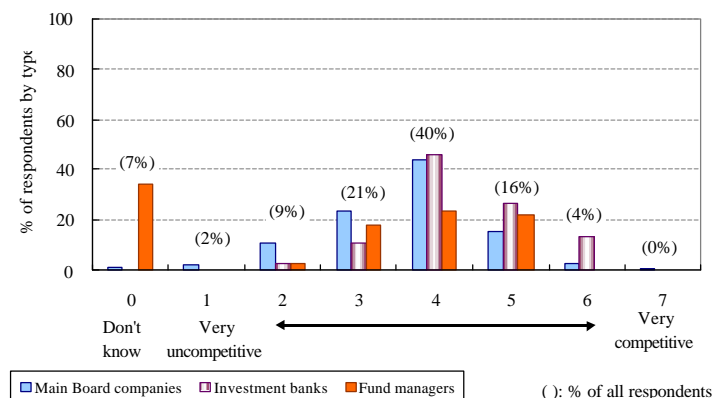
Q3.3(2) Overall costs for obtaining a listing are ... (very uncompetitive —very competitive) on GEM.

	<u>Mean score</u>
Listed companies	3.53
Main Board	3.59
GEM	3.25
Mainland	3.58
Non-mainland	3.52
Investment banks	3.81
Fund managers	3.49
All	3.55



Q3.4(1) Overall costs for maintaining a listing are ... (very uncompetitive —very competitive) on the Main Board.

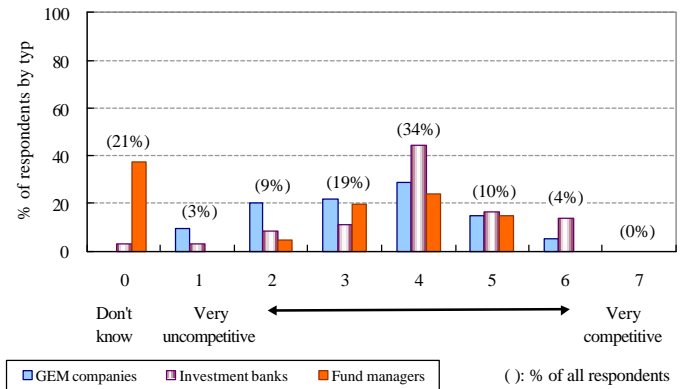
	<u>Mean score</u>
Listed companies	3.69 ***
Main Board	3.69
GEM	3.66
Mainland	3.62
Non-mainland	3.70
Investment banks	4.38 ***
Fund managers	3.98 ***
All	3.77



*** Significantly different at 0.1% confidence level.

Q3.4(2) Overall costs for maintaining a listing are ... (very uncompetitive —very competitive) on GEM.

	<u>Mean score</u>
Listed companies	3.59 *
Main Board	3.64
GEM	3.36
Mainland	3.69
Non-mainland	3.58
Investment banks	4.09 *
Fund managers	3.79 *
All	3.66



* Significantly different at 5% confidence level.

7. INFORMATION DISCLOSURE

Content and timeliness of information disclosure

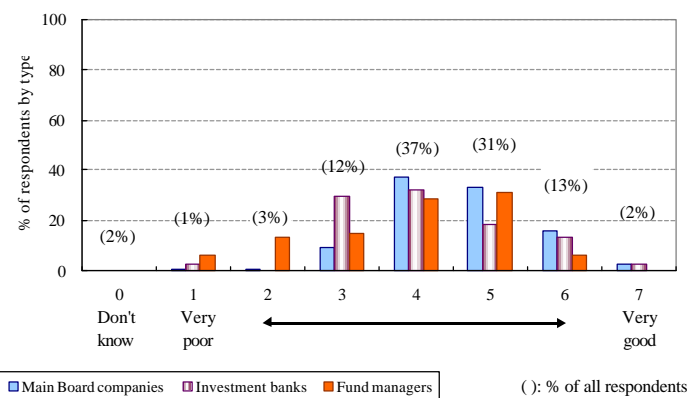
Listed companies considered the content and timeliness of information disclosure of Main Board and GEM companies to be fairly good (over one-third were positive, about 10% negative). Mainland companies were more positive than non-Mainland companies on the disclosure of Main Board companies (over 60% were positive, less than 10% negative). Fund managers were net positive on that of Main Board companies (about 40% positive, about one-third negative) and net negative on that of GEM companies (less than 30% positive, about 50% negative).

Relevant findings in the 1998 survey

In the 1998 survey, 45% of all respondents agreed that the disclosure of information by Main Board companies was generally sufficient and timely (vs about 20% disagreed). The 2001/02 findings were somewhat similar.

Q4.1(1) The content of information disclosure by listed companies is ...(very poor —very good) for the Main Board.

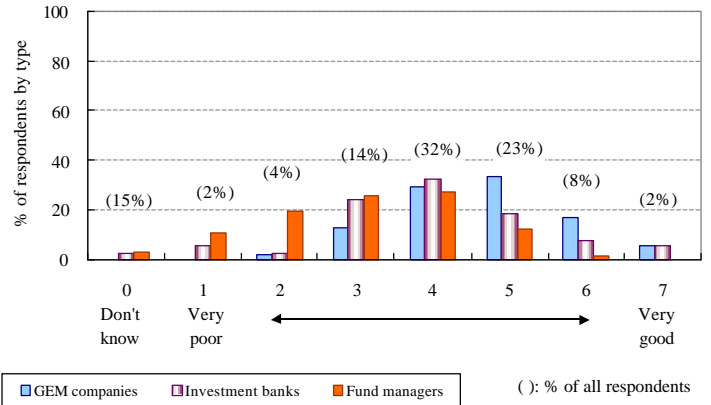
	<u>Mean score</u>
Listed companies	4.57 ***
Main Board	4.62 **
GEM	4.18 **
Mainland	4.94 ^^
Non-mainland	4.49 ^^
Investment banks	4.16 ***
Fund managers	3.84 ***
All	4.44



** , ^^ Significantly different at 1% confidence level.
 *** Significantly different at 0.1% confidence level.

Q4.1(2) The content of information disclosure by listed companies is ... (very poor —very good) for GEM.

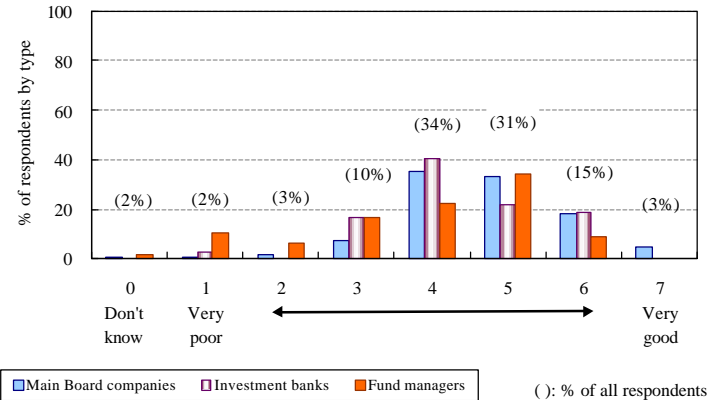
	<u>Mean score</u>
Listed companies	4.42 ***
Main Board	4.37
GEM	4.67
Mainland	4.58
Non-mainland	4.40
Investment banks	4.06 ***
Fund managers	3.16 ***
All	4.20



*** Significantly different at 0.1% confidence level.

Q4.2(1) The timeliness of information disclosure by listed companies is ... (very poor —very good) for the Main Board.

	<u>Mean score</u>
Listed companies	4.62 ***
Main Board	4.71 ^^
GEM	3.93 ^^
Mainland	5.01 **
Non-mainland	4.54 **
Investment banks	4.35 ***
Fund managers	3.92 ***
All	4.51

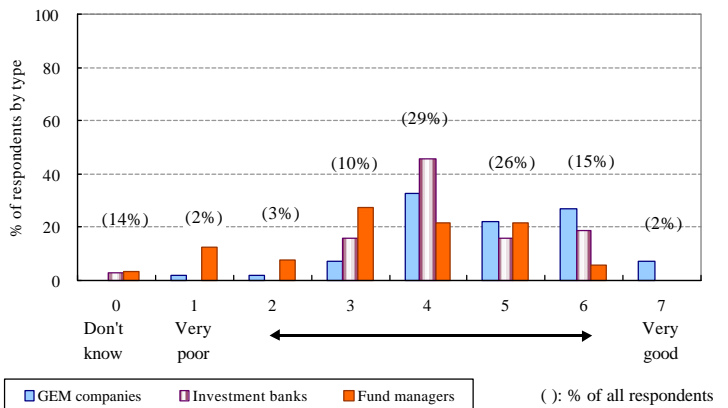


** Significantly different at 1% confidence level.

***, ^^ Significantly different at 0.1% confidence level.

Q4.2(2) The timeliness of information disclosure by listed companies is ... (very poor —very good) for GEM.

	<u>Mean score</u>
Listed companies	4.66 ***
Main Board	4.63
GEM	4.82
Mainland	4.86
Non-mainland	4.63
Investment banks	4.39 ***
Fund managers	3.52 ***
All	4.47



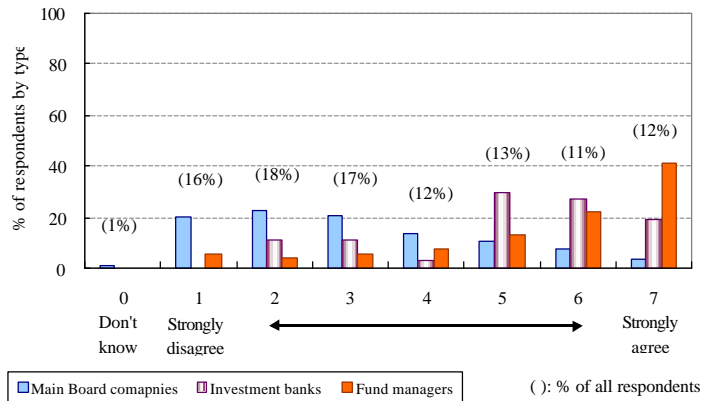
*** Significantly different at 0.1% confidence level.

Quarterly reporting for Main Board companies

Three-fourths of fund managers (76%) and investment banks (76%) as well as half of GEM companies (52%) agreed that Main Board listed companies should adopt quarterly financial reporting (16%, 22% and 28% disagreed respectively). However, a large proportion of Main Board companies showed little support (22% positive vs 64% negative).

Q4.3 You ... (strongly disagree —strongly agree) that Main Board listed companies should adopt quarterly financial reporting.

	<u>Mean score</u>
Listed companies	3.28 ***
Main Board	3.09 ^^
GEM	4.63 ^^
Mainland	3.37
Non-mainland	3.27
Investment banks	5.08 ***
Fund managers	5.49 ***
All	3.71



***, ^^ Significantly different at 0.1% confidence level.

8. ISSUER GOVERNANCE AND SERVICE PROVIDERS

Corporate governance of listed companies

32% of investment banks and 28% of fund managers considered the corporate governance of Main Board companies good (30% and 38% respectively considered it poor). 27% of investment banks and 12% of fund managers considered the corporate governance of GEM listed companies good (38% and 64% respectively considered it poor).

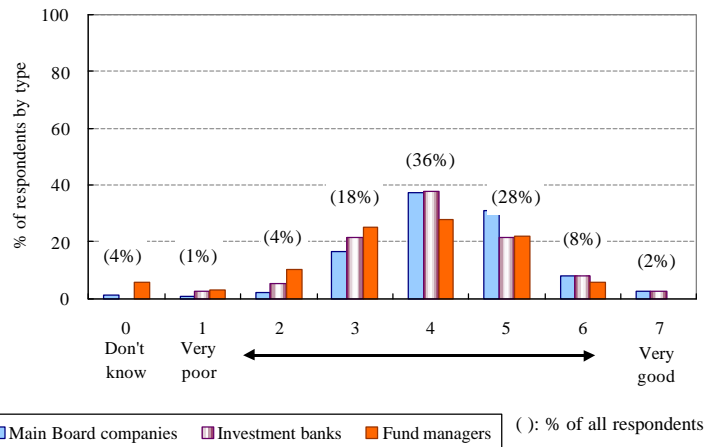
Listed companies themselves tended to be more positive about their own performance. About 40% of Main Board companies and GEM companies respectively evaluated their respective market's corporate governance positively (vs about 20% negative).

Relevant findings in the 1998 survey

In the 1998 survey, 38% of Main Board companies agreed that the corporate governance was good (vs 18% disagreed) —similar to 2001/02 survey findings; 14% of investment banks and 16% of fund managers agreed (vs 41% and 31% disagreed) —the findings in 2001/02 survey appeared to be more positive.

Q5.1(1) The corporate governance of listed companies is ... (very poor —very good) for the Main Board.

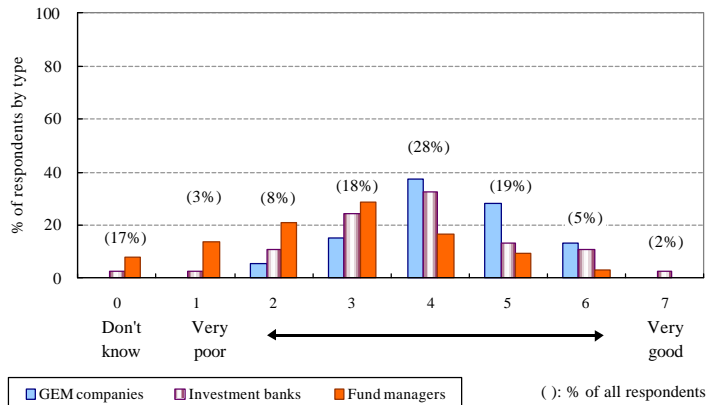
	<u>Mean score</u>
Listed companies	4.28 **
Main Board	4.30
GEM	4.05
Mainland	4.47
Non-mainland	4.24
Investment banks	4.05 **
Fund managers	3.78 **
All	4.20



** Significantly different at 1% confidence level.

Q5.1(2) The corporate governance of listed companies is ... (very poor —very good) for GEM.

	<u>Mean score</u>
Listed companies	4.07 ***
Main Board	4.03
GEM	4.28
Mainland	4.07
Non-mainland	4.07
Investment banks	3.89 ***
Fund managers	2.95 ***
All	3.89



*** Significantly different at 0.1% confidence level.

Service providers

The professional conduct and service quality of various service providers —sponsors of listed companies, lawyers, accountants, asset valuers and share registrars — were considered quite good. Among them, share registrars received the highest satisfaction from market users (over 60% considered their service good, 1 % poor, mean score about 5.00), followed by lawyers and accountants (over 60% good, less than 5% poor, mean score around 4.80). The professional conduct and service quality of sponsors of listed companies and asset valuers were considered fairly good (34-50% good, less than 20% poor, mean score around 4.2-4.5), investment banks being more positive about sponsors than listed companies and fund managers.

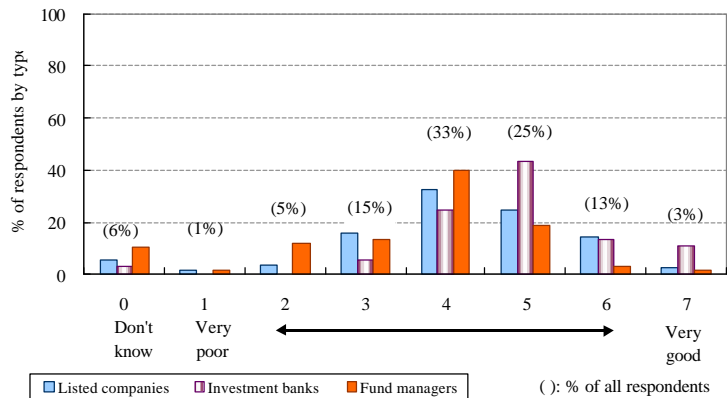
Among the service providers, fund managers were least satisfied with asset valuers (mean score of 3.5 for professional conduct and 3.88 for quality of service). However, since fund managers have few business connections with primary market practitioners, about 10% to 20% of fund managers did not know about the professional conduct and service quality of the different types of service providers.

Relevant findings in the 1998 survey

In the 1998 survey, over 60% of respondents agreed that the professional conduct and quality of service of share registrars, lawyers and accountants were good (vs less than 10% disagreed); around 40-50% of respondents agreed that those of sponsors of listed companies and asset valuers were good (vs around 20% disagreed). The patterns of the two surveys were similar, with a somewhat lower degree of satisfaction on professional conduct and service quality of lawyers, accountants, asset values and share registrars in the 2001/02 findings.

Q5.2(1) The professional conduct of sponsors of listed companies is ...(very poor —very good)

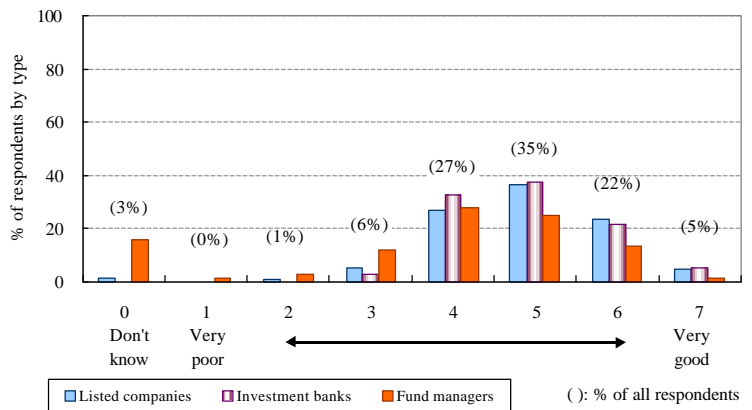
	<u>Mean score</u>
Listed companies	4.33 ***
Main Board	4.35
GEM	4.20
Mainland	4.45
Non-mainland	4.31
Investment banks	5.00 ***
Fund managers	3.87 ***
All	4.32



*** Significantly different at 0.1% confidence level.

Q5.2(2) The professional conduct of lawyers is ...(very poor —very good)

	<u>Mean score</u>
Listed companies	4.93 **
Main Board	4.97 *
GEM	4.67 *
Mainland	5.11
Non-mainland	4.89
Investment banks	4.95 **
Fund managers	4.40 **
All	4.87

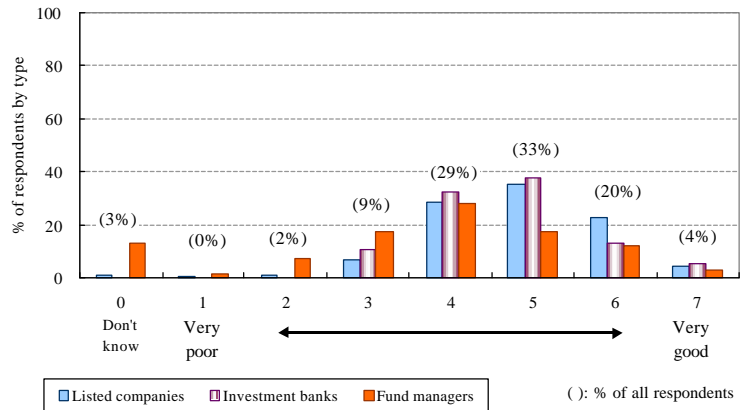


* Significantly different at 5% confidence level.

** Significantly different at 1% confidence level.

Q5.2(3) The professional conduct of accountants is ...(very poor —very good)

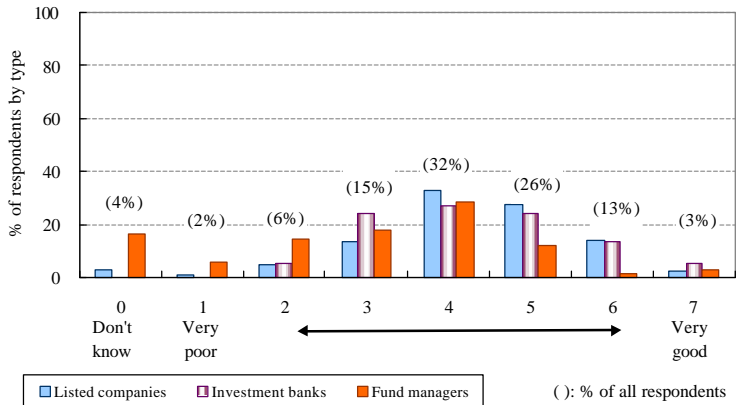
	<u>Mean score</u>
Listed companies	4.86 ***
Main Board	4.86
GEM	4.80
Mainland	5.06
Non-mainland	4.81
Investment banks	4.70 ***
Fund managers	4.15 ***
All	4.76



*** Significantly different at 0.1% confidence level.

Q5.2(4) The professional conduct of asset valuers is ...(very poor —very good)

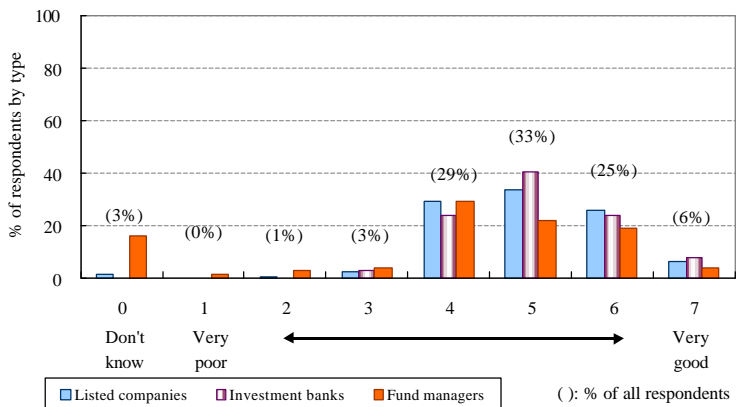
	<u>Mean score</u>
Listed companies	4.38 ***
Main Board	4.38
GEM	4.40
Mainland	4.40
Non-mainland	4.38
Investment banks	4.32 ***
Fund managers	3.50 ***
All	4.28



*** Significantly different at 0.1% confidence level.

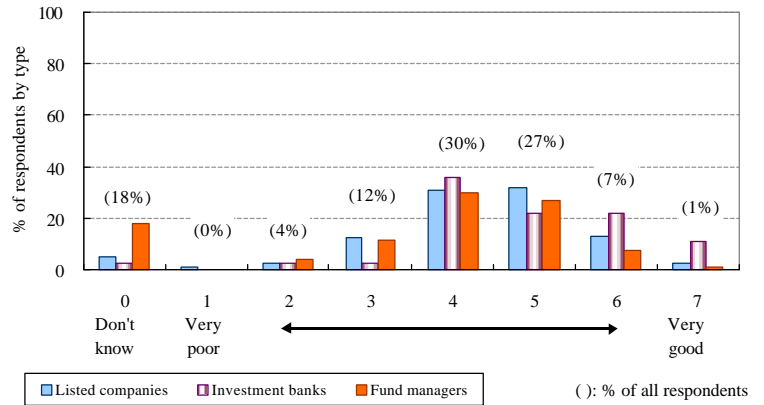
Q5.2(5) The professional conduct of share registrars is ...(very poor —very good)

	<u>Mean score</u>
Listed companies	5.03
Main Board	5.04
GEM	5.00
Mainland	5.09
Non-mainland	5.02
Investment banks	5.11
Fund managers	4.70
All	5.00



Q5.3(1) The quality of service of sponsors of listed companies is ...(very poor —very good)

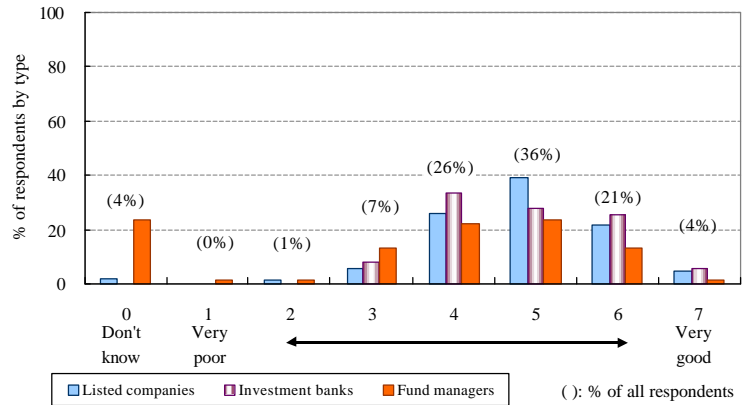
	<u>Mean score</u>
Listed companies	4.47 *
Main Board	4.50
GEM	4.27
Mainland	4.62
Non-mainland	4.44
Investment banks	4.94 *
Fund managers	4.31 *
All	4.49



* Significantly different at 5% confidence level.

Q5.3(2) The quality of service of lawyers is ...(very poor —very good)

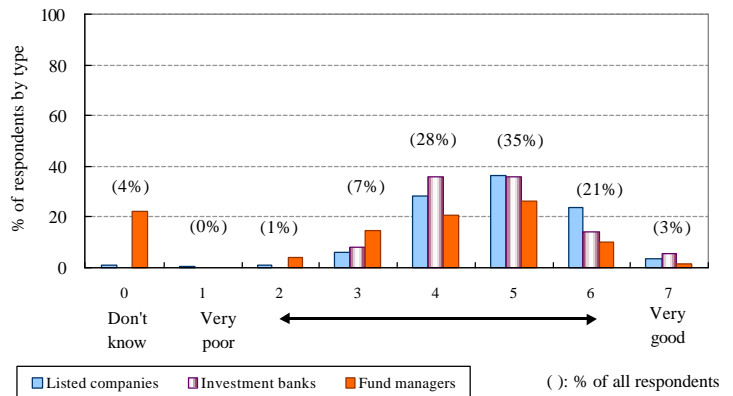
	<u>Mean score</u>
Listed companies	4.89 *
Main Board	4.92
GEM	4.70
Mainland	5.00
Non-mainland	4.86
Investment banks	4.86 *
Fund managers	4.44 *
All	4.84



* Significantly different at 5% confidence level.

Q5.3(3) The quality of service of accountants is ...(very poor —very good)

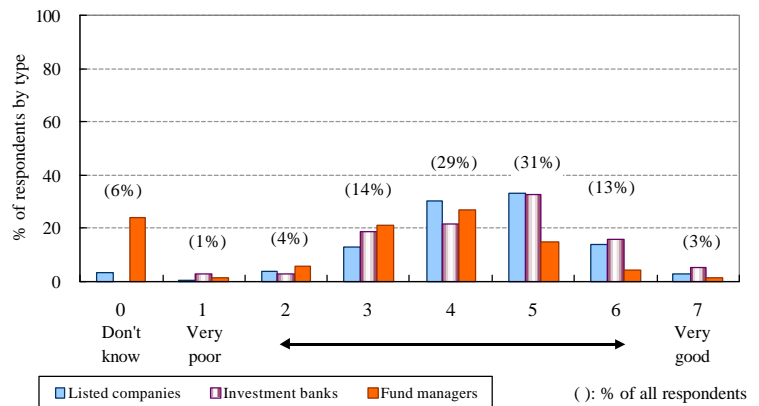
	<u>Mean score</u>
Listed companies	4.86 **
Main Board	4.88
GEM	4.73
Mainland	4.83
Non-mainland	5.00
Investment banks	4.72 **
Fund managers	4.36 **
All	4.80



** Significantly different at 1% confidence level.

Q5.3(4) The quality of service of asset valuers is ...(very poor —very good)

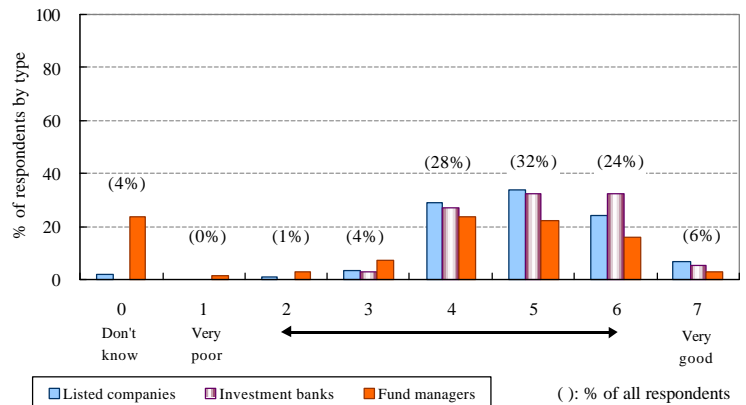
	<u>Mean score</u>
Listed companies	4.49 **
Main Board	4.52
GEM	4.31
Mainland	4.51
Non-mainland	4.48
Investment banks	4.49 **
Fund managers	3.88 **
All	4.43



** Significantly different at 1% confidence level.

Q5.3(5) The quality of service of share registrars is ...(very poor —very good)

	<u>Mean score</u>
Listed companies	5.00 *
Main Board	5.00
GEM	4.96
Mainland	5.00
Non-mainland	4.99
Investment banks	5.11 *
Fund managers	4.60 *
All	4.96



* Significantly different at 5% confidence level.

9. THE EXCHANGE

Efficiency of processing of listing applications

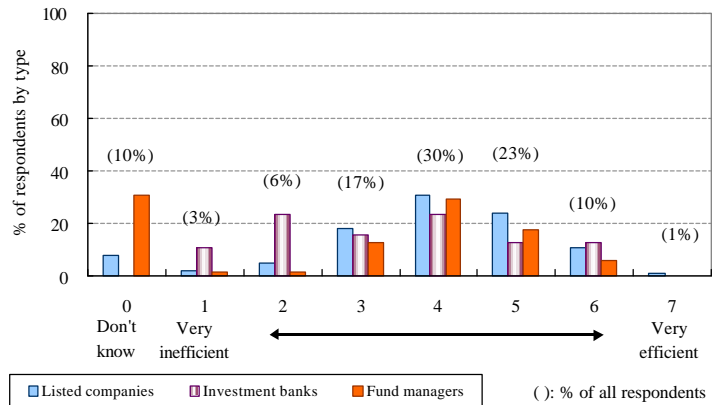
The efficiency of the Exchange in processing initial listing applications was considered moderately satisfactory (34% considered it efficient, 26% inefficient). The Exchange's efficiency in processing subsequent share issues received a higher degree of satisfaction (42% positive vs 14% negative). 44% of Mainland companies considered the initial listing process efficient (25% considered it inefficient), although less than 30% of investment banks and GEM companies considered it efficient (50% of investment banks and 40% of GEM companies considered it inefficient). About one-third of fund managers did not know the issues.

Relevant findings in the 1998 survey

In the 1998 survey, almost half of all respondents (47%) agreed that the Exchange's listing process for IPOs was efficient (vs 10% disagreed). In comparison, the 2001/02 findings appeared to be less favourable in this area.

Q6.1(1) The Exchange's processing of listing applications is ... (very inefficient —very efficient) for initial listings

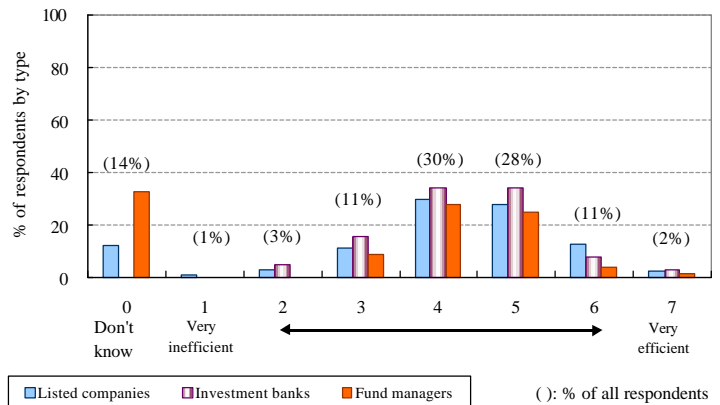
	<u>Mean score</u>
Listed companies	4.15 **
Main Board	4.21 ^^
GEM	3.76 ^^
Mainland	4.44 *
Non-mainland	4.09 *
Investment banks	3.45 **
Fund managers	4.13 **
All	4.09



* Significantly different at 5% confidence level.
 **, ^^ Significantly different at 1% confidence level.

Q6.1(2) The Exchange's processing of listing applications is ... (very inefficient —very efficient) for subsequent share issues.

	<u>Mean score</u>
Listed companies	4.47
Main Board	4.49
GEM	4.26
Mainland	4.22
Non-mainland	4.50
Investment banks	4.32
Fund managers	4.43
All	4.45



Fairness, consistency and transparency

Opinions from listed companies on the Exchange's fairness, consistency and transparency were quite diverse —about one-third being positive and about 20-32% negative, mean scores around 4.0. Main Board companies were more satisfied on transparency (35% considered it transparent vs 29% obscure) than GEM companies (20% transparent vs 45% obscure). Mainland companies were more satisfied (corresponding figures were 44% and 24%).

Less than 30% of investment banks were satisfied with these aspects of the Exchange's performance (vs over 40% dissatisfied, mean scores below 4.0).

Fund managers' opinions were also quite diverse —around 20-30% being positive or negative, mean score around 3.8-4.0. Over 10% of fund managers showed no knowledge of these areas.

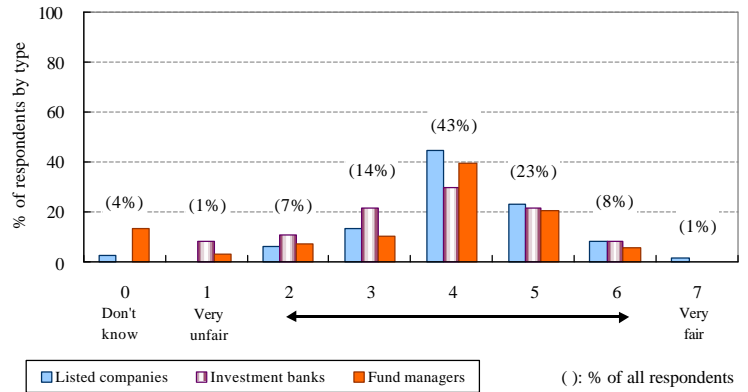
Relevant findings in the 1998 survey

In the 1998 survey, 41% and 36% of Main Board companies agreed respectively that the Exchange's decisions were transparent and consistent (vs 15% and 29% disagreed) —

Main Board companies appeared to have lower satisfaction on transparency in the 2001/02 survey; 7% and 16% of investment banks respectively agreed on the two aspects (vs about half disagreed) —they appeared to have higher satisfaction on both issues in the 2001/02 survey; about a quarter of fund managers agreed on the issues (vs about a quarter disagreed) —similar to the 2001/02 findings.

Q6.2 The Exchange's decisions on primary stock market matters are ... (very unfair —very fair)

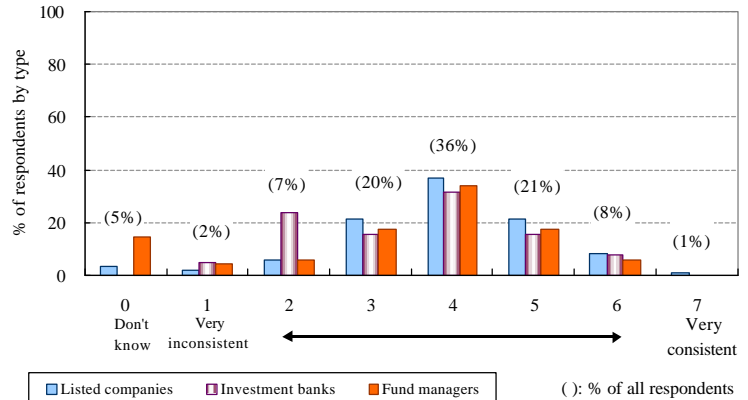
	<u>Mean score</u>
Listed companies	4.18 *
Main Board	4.20
GEM	4.04
Mainland	4.35
Non-mainland	4.14
Investment banks	3.70 *
Fund managers	3.98 *
All	4.12



* Significantly different at 5% confidence level.

Q6.3 The Exchange's decisions on primary stock market matters are ... (very inconsistent —very consistent)

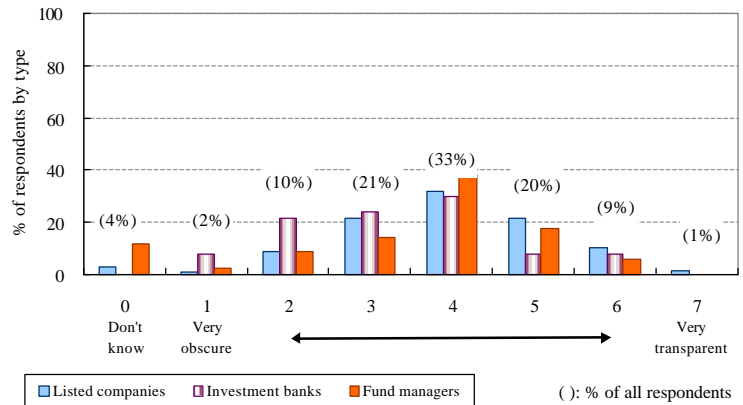
	<u>Mean score</u>
Listed companies	4.04 *
Main Board	4.07
GEM	3.82
Mainland	4.25
Non-mainland	3.99
Investment banks	3.53 *
Fund managers	3.84 *
All	3.97



* Significantly different at 5% confidence level.

Q6.4 The Exchange's decisions on primary stock market matters are ... (very obscure —very transparent)

	<u>Mean score</u>
Listed companies	4.05 **
Main Board	4.10 ^^
GEM	3.65 ^^
Mainland	4.43 *
Non-mainland	3.96 *
Investment banks	3.32 **
Fund managers	3.87 **
All	3.97



* Significantly different at 5% confidence level.
 **, ^^ Significantly different at 1% confidence level.

Other areas of Exchange performance

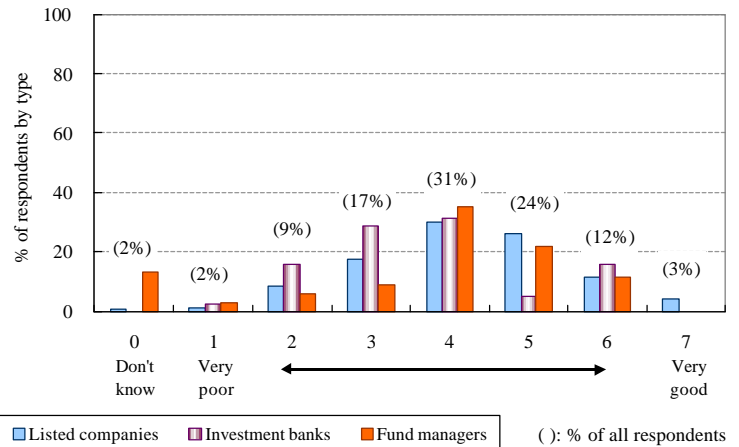
Respondents considered that the priority the Exchange gave to public interest was fairly high (48% positive vs 16% negative, mean score of 4.52). They were also fairly positive with the Exchange's professionalism and quality of service (over 40% positive, about 20% negative, mean scores of 4.37 and 4.25 respectively). In general, respondents were also satisfied with the Exchange's guidance on Listing Rules compliance (39% positive, 27% negative, mean score of 4.19) and with its responsiveness to the business needs of the primary stock market (36% positive, 25% negative, mean score of 4.13). However, relatively lower satisfaction was obtained among investment banks on the Exchange's performance in providing guidance on rules compliance, serving the business needs of the primary stock market, service quality and professionalism (less than one-third positive; one-third or more negative).

Relevant findings in the 1998 survey

In the 1998 survey, over 40% of respondents agreed that the Exchange provided sufficient guidance on Listing Rules compliance, the Exchange was responsive to primary market needs, provided the good service and performed professionally (vs less than 15% disagreed). The overall views on these areas of the Exchange performance appeared to be slightly less favourable in the 2001/02 findings.

Q6.5 Guidance on Listing Rules compliance provided by the Exchange is ... (very poor —very good)

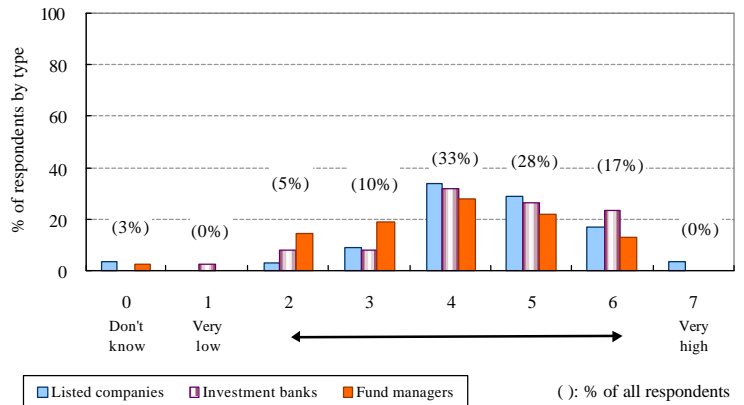
	<u>Mean score</u>
Listed companies	4.24 *
Main Board	4.26
GEM	4.11
Mainland	4.52 ^
Non-mainland	4.18 ^
Investment banks	3.68 *
Fund managers	4.19 *
All	4.19



*, ^ Significantly different at 5% confidence level.

Q6.6 The priority the Exchange gives to the public interest is ... (very low —very high)

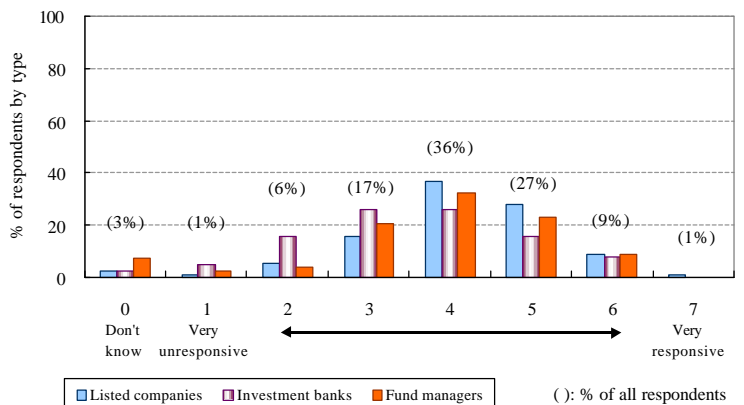
	<u>Mean score</u>
Listed companies	4.61 ***
Main Board	4.59
GEM	4.77
Mainland	4.78
Non-mainland	4.58
Investment banks	4.42 ***
Fund managers	4.00 ***
All	4.52



*** Significantly different at 0.1% confidence level.

Q6.7 In serving the business needs of the primary stock market, the Exchange is (very unresponsive —very responsive)

	<u>Mean score</u>
Listed companies	4.20 **
Main Board	4.20
GEM	4.23
Mainland	4.44 *
Non-mainland	4.15 *
Investment banks	3.57 **
Fund managers	4.03 **
All	4.13

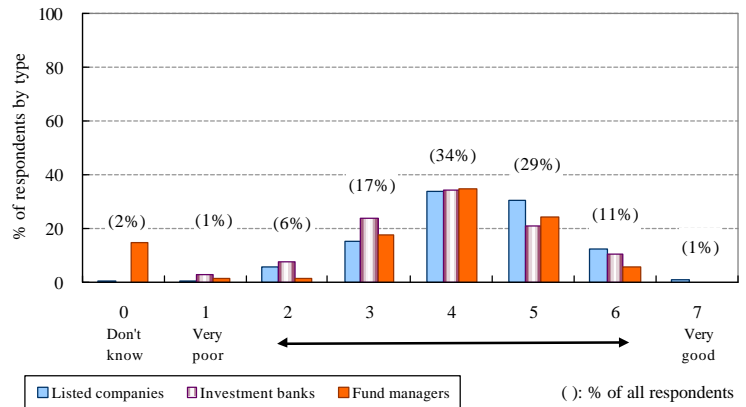


* Significantly different at 5% confidence level.

** Significantly different at 1% confidence level.

Q6.8 Overall, the quality of the Exchange's service provided to listed companies is ... (very poor —very good)

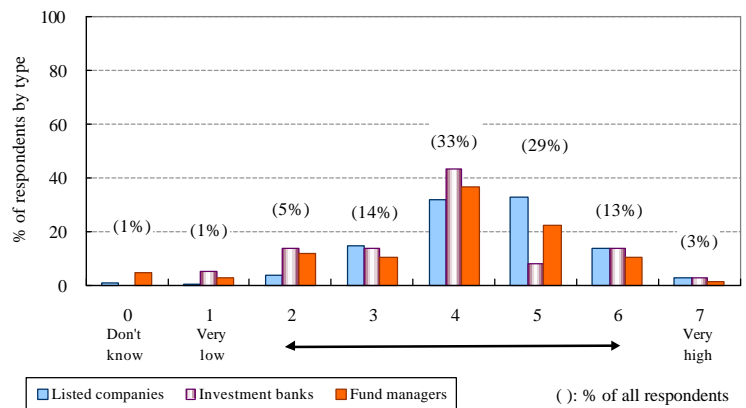
	<u>Mean score</u>
Listed companies	4.30
Main Board	4.30
GEM	4.27
Mainland	4.59 *
Non-mainland	4.24 *
Investment banks	3.95
Fund managers	4.12
All	4.25



* Significantly different at 5% confidence level.

Q6.9 Overall, the level of professionalism of the Exchange is ... (very low —very high)

	<u>Mean score</u>
Listed companies	4.46 **
Main Board	4.49
GEM	4.33
Mainland	4.86 ^^
Non-mainland	4.38 ^^
Investment banks	3.86 **
Fund managers	4.05 **
All	4.37



**, ^^ Significantly different at 1% confidence level.

10. CHINA DIMENSION

Regulation and information disclosure of Mainland companies (H-share and red-chip companies)

Overall, 16-18% of all respondents were positive on the regulation and the content and timeliness of information disclosure of Mainland companies (vs 25-29% negative). Fund managers had low satisfaction with the effectiveness of regulation, content and timeliness of information disclosure of Mainland companies (10% or less were positive, over 40% negative). Non-Mainland companies were somewhat less positive (less than 15% were positive, around 25% negative) while a large proportion of them did not know the issues (about 40%). Mainland companies evaluated themselves more positively (about 50% positive, less than 14% negative).

Compared with Main Board and GEM companies, Mainland companies received a lower degree of satisfaction from investment banks and fund managers on:

- **effectiveness of regulation** —24% of investment banks and 10% of fund managers positive (vs 31% and 15% respectively for GEM, and 37% and 28% for Main Board);

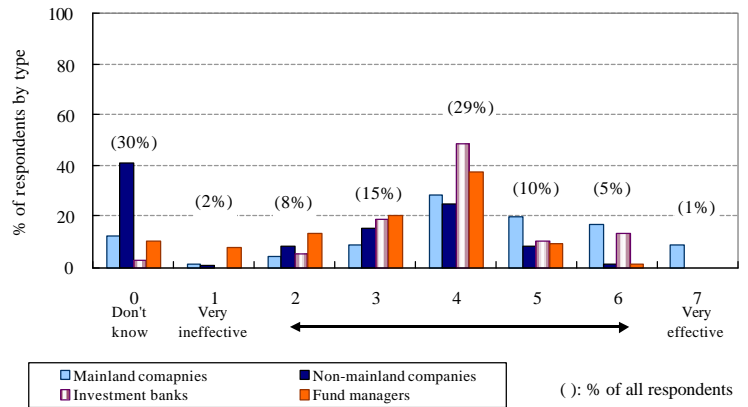
- **content of information disclosure** —27% of investment banks and 9% of fund managers positive (vs 32% and 14% respectively for GEM; and 35% and 37% for Main Board);
- **timeliness of information disclosure** —14% of investment banks and 4% of fund managers positive (vs 35% and 28% respectively for GEM; and 41% and 43% for Main Board).

Relevant findings in the 1998 survey

In the 1998 survey, less than 20% of all respondents were positive on the issues (vs around 40% negative). The overall satisfaction on the above issues appeared to be higher in the 2001/02 findings.

Q7.1 The regulation of H-share and red-chip companies is ... (very ineffective — very effective)

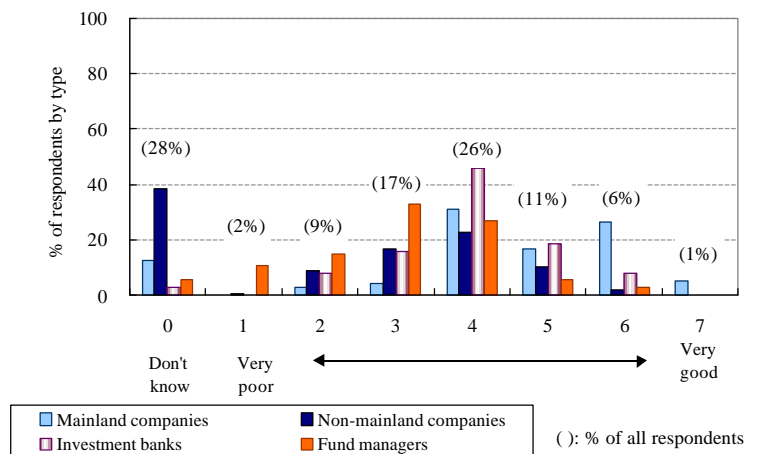
	<u>Mean score</u>
Listed companies	3.85 **
Main Board	3.87
GEM	3.71
Mainland	4.66 ***
Non-mainland	3.60 ***
Investment banks	4.08 **
Fund managers	3.35 **
All	3.79



** Significantly different at 1% confidence level.
 *** Significantly different at 0.1% confidence level.

Q7.2 The content of information disclosure by H-share and red-chip companies is ... (very poor —very good)

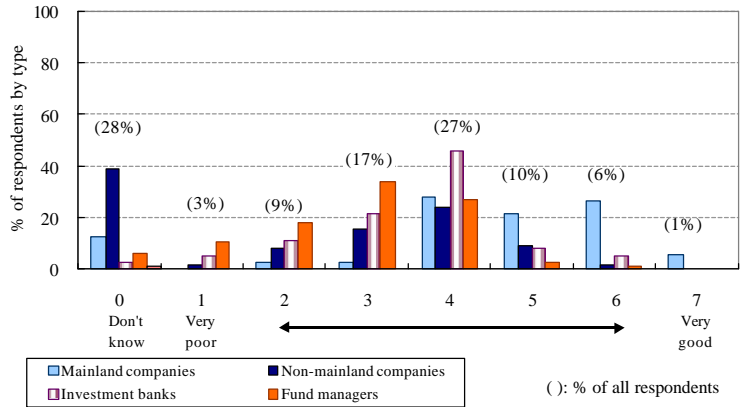
	<u>Mean score</u>
Listed companies	3.90 ***
Main Board	3.94
GEM	3.63
Mainland	4.89 ^^
Non-mainland	3.61 ^^
Investment banks	4.03 ***
Fund managers	3.13 ***
All	3.78



***, ^^ Significantly different at 0.1% confidence level.

Q7.3 The timeliness of information disclosure by H-share and red-chip companies is ... (very poor —very good)

	<u>Mean score</u>
Listed companies	3.91 ***
Main Board	3.96
GEM	3.59
Mainland	4.95 ^^
Non-mainland	3.60 ^^
Investment banks	3.58 ***
Fund managers	2.98 ***
All	3.72



***, ^^ Significantly different at 0.1% confidence level.

Only investment banks and Mainland companies were asked about Hong Kong stock market's attractiveness compared with China and overseas markets for the primary listing of Mainland enterprises. In addition, they were asked about the significance of various factors in selecting the venue for the listing of Mainland enterprises.

Hong Kong stock market's attractiveness

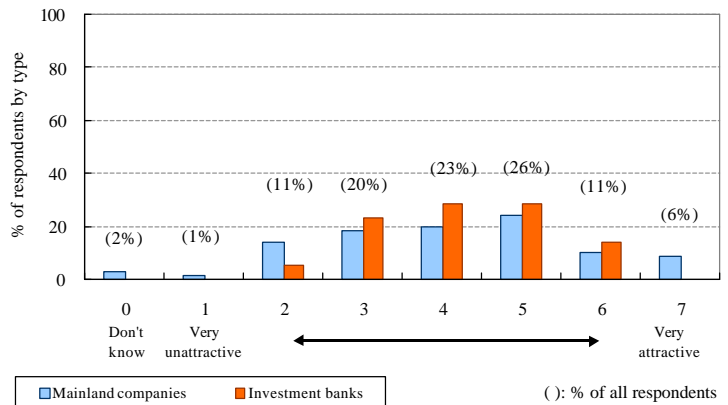
For the primary listing of Mainland enterprises, the Hong Kong stock market's attractiveness was considered quite high vis-à-vis overseas markets (59% positive vs 9% negative, mean score of 4.89) and to a lower degree vis-à-vis Mainland China (43% positive vs 32% negative, mean score of 4.20).

Relevant findings in the 1998 survey

In the 1998 survey, almost 90% of investment banks and Mainland companies agreed that the Hong Kong stock market was attractive to China-related enterprises seeking a primary listing (less than 7% disagreed and no H-share companies disagreed.)

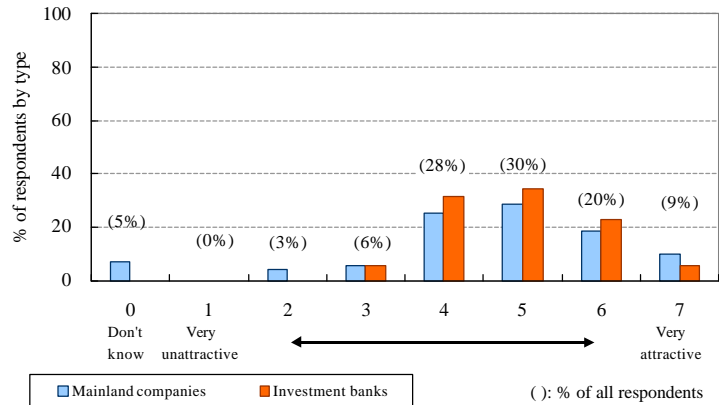
Q7.4(1) For the primary listing of Mainland enterprises, the Hong Kong stock market is ... (very unattractive —very attractive) relative to the China stock market.

	<u>Mean score</u>
Listed companies -	
Mainland	4.19
Investment banks	4.23
All	4.20



Q7.4(2) For the primary listing of Mainland enterprises, the Hong Kong stock market is ... (very unattractive —very attractive) relative to overseas markets.

	<u>Mean score</u>
Listed companies -	
Mainland	4.88
Investment banks	4.91
All	4.89



Factors in selecting the venue for listing

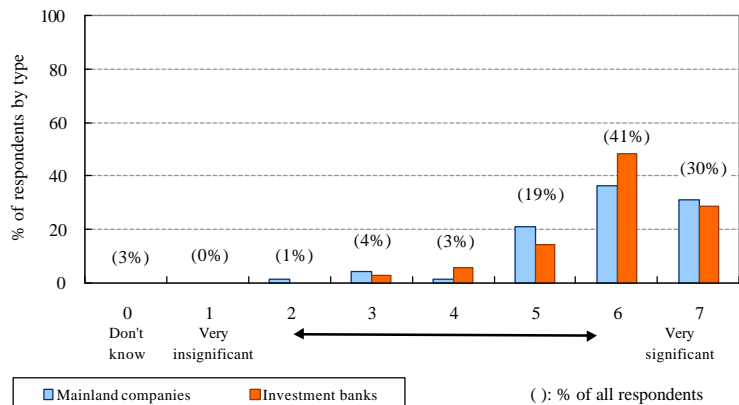
In selecting the venue for the listing of Mainland enterprises, Mainland companies considered fund raising capability (a mean score of 5.88), international status (5.59) and market reputation for quality (5.55) as the most significant factors. Investment banks considered fund raising capability (5.94), price-earning ratio (5.71) and international status (5.66) the most significant. Other significant factors considered by both investment banks and Mainland companies included regulatory issues and quality of investors (overall score of over 5.0).

For the listing costs, Mainland companies considered them also significant, though less so than other factors (mean score of around 4.7 vs 4.0 among investment banks).

In addition, compared to investment banks, Mainland companies considered the availability of professional services more significant (mean scores of 5.25 and 4.71 by Mainland companies and investment banks respectively).

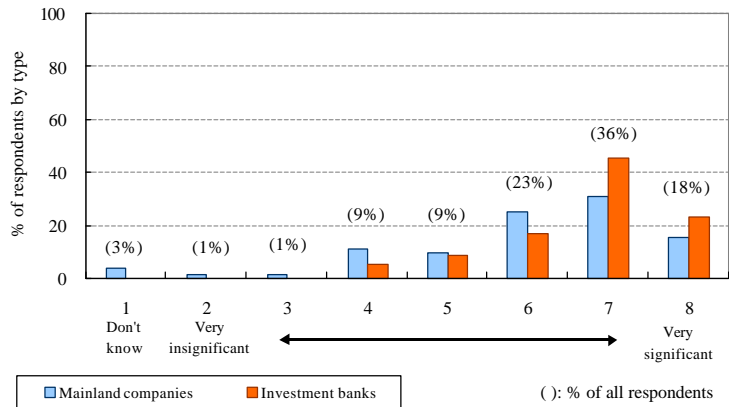
Q7.5(1) In selecting the venue for the listing of Mainland enterprises, fund raising capability is ... (very insignificant —very significant)

	<u>Mean score</u>
Listed companies -	
Mainland	5.88
Investment banks	5.94
All	5.90



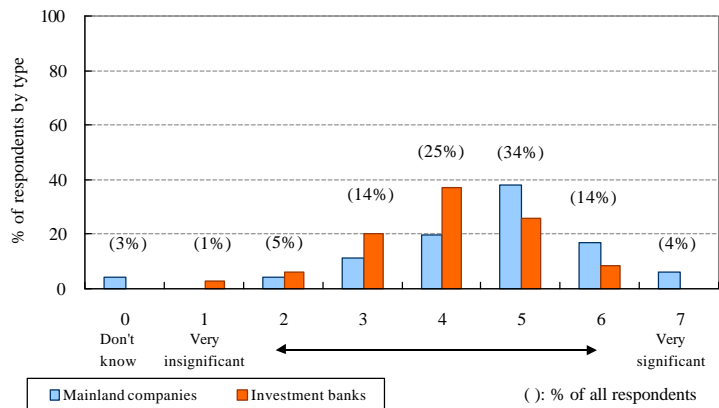
Q7.5(2) In selecting the venue for the listing of Mainland enterprises, price-earning ratio (PE) is ... (very insignificant —very significant)

	<u>Mean score</u>
Listed companies - Mainland	5.21
Investment banks	5.71
All	5.38



Q7.5(3) In selecting the venue for the listing of Mainland enterprises, initial listing costs are ... (very insignificant —very significant)

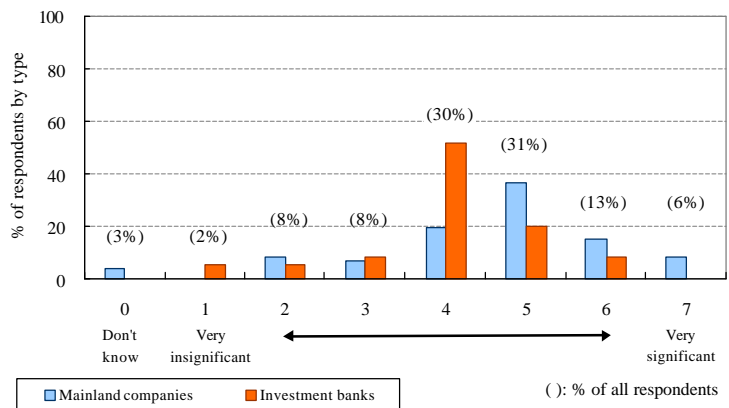
	<u>Mean score</u>
Listed companies - Mainland	4.72 **
Investment banks	4.03 **
All	4.49



** Significantly different at 1% confidence level.

Q7.5(4) In selecting the venue for the listing of Mainland enterprises, continuous listing and compliance costs are ... (very insignificant —very significant)

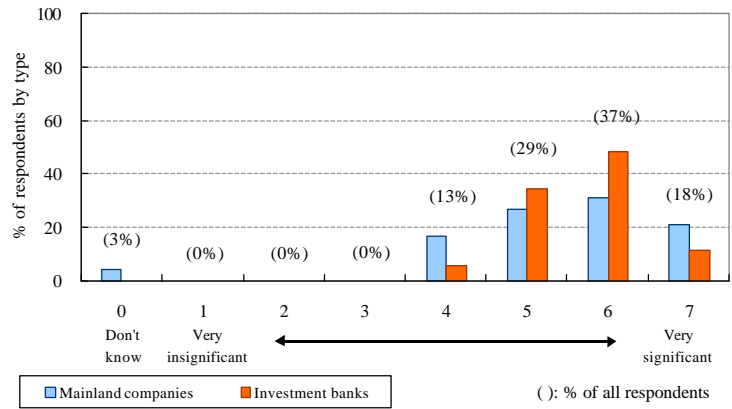
	<u>Mean score</u>
Listed companies - Mainland	4.72 **
Investment banks	4.00 **
All	4.48



** Significantly different at 1% confidence level.

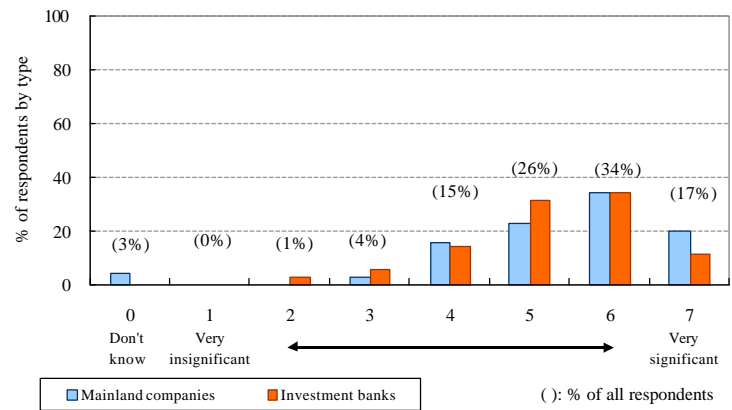
Q7.5(5) In selecting the venue for the listing of Mainland enterprises, international status is ... (very insignificant —very significant)

	<u>Mean score</u>
Listed companies - Mainland	5.59
Investment banks	5.66
All	5.61



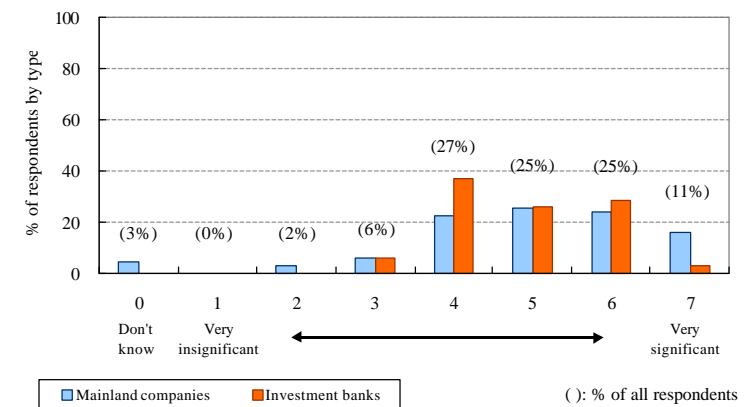
Q7.5(6) In selecting the venue for the listing of Mainland enterprises, market reputation for quality is ... (very insignificant —very significant)

	<u>Mean score</u>
Listed companies - Mainland	5.55
Investment banks	5.23
All	5.44



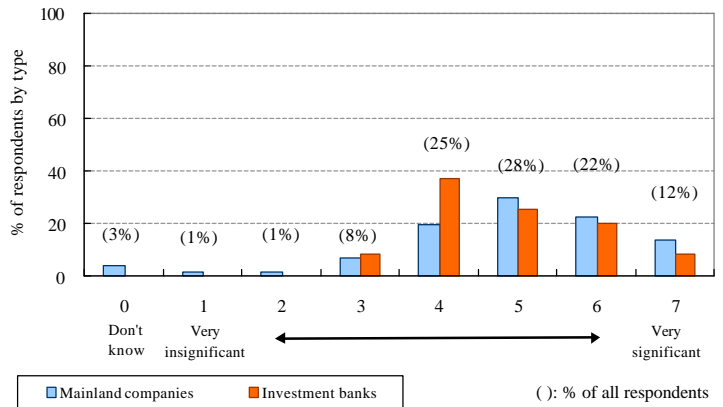
Q7.5(7) In selecting the venue for the listing of Mainland enterprises, regulatory issues are ... (very insignificant —very significant)

	<u>Mean score</u>
Listed companies - Mainland	5.13
Investment banks	4.86
All	5.04



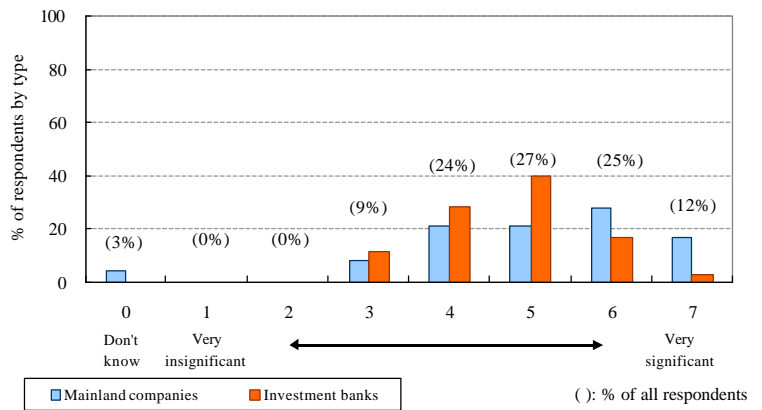
Q7.5(8) In selecting the venue for the listing of Mainland enterprises, the quality of investors is ... (very insignificant —very significant)

	<u>Mean score</u>
Listed companies -	
Mainland	5.07
Investment banks	4.83
All	4.99



Q7.5(9) In selecting the venue for the listing of Mainland enterprises, the availability of professional services is ... (very insignificant —very significant)

	<u>Mean score</u>
Listed companies -	
Mainland	5.25 *
Investment banks	4.71 *
All	5.07



* Significantly different at 5% confidence level.

*** End ***