

Information Disclosure and Corporate Governance in China

China Securities Regulatory Commission (CSRC)

I. Introduction to China Securities Market and Corporate Governance

1. Development of the securities market

With its flagship stock exchanges set up in Shanghai and Shenzhen, the China securities market really only started in 1990. At that time, only 10 companies were listed in the stock exchanges. After 10 years of exponential growth, the China securities market has reached a considerable size. As at the end of 1999, a total of 923 companies invested by Chinese citizens (A shares) were listed in the stock exchanges. Number of companies listed in the local market but invested by foreigners (B shares) has increased to 108, among them, 26 companies issued B shares only, the rest issued both A and B shares. 46 companies have overseas listings (H shares) including 27 companies have H-shares in Hong Kong, New York, etc, and 19 companies have both A & H-shares concurrently. The total market capitalization aggregates to approximately RMB 2,647.1 billion (or USD 319.7 million), out of which RMB 821.4 billion (or USD 992 million) is traded in the open market. This is approximately 31.82% of the GDP. A total of 44.81 million accounts have been set up while 44.61 million accounts were set up by individuals.

2. Characteristics of typical listed companies

The majority of the listed companies started off as state-owned enterprises. Some of them were re-organized and restructured using certain assets carved out from state-owned enterprises. With the offering of shares in the open market, this has attracted a large number of individual and institutional investors. These listed companies have typical company structures as follows:

- (1) *% of State ownership is relatively high*: The majority of these listed companies in China evolved from State-owned / State-controlled enterprises. Due to restrictions in market capacity when offering shares to the public, the % of shares available to the open market is relatively low. After the offering, more than half of the available shares is held by the promoters. This has enabled “control” of the company to remain with the promoters who are State-owned shareholders or State-controlled shareholders.
- (2) *% of negotiable securities is relatively low*: As discussed above, the promoters hold the majority stake. Based on existing regulations, State-owned shares and legal entity shares held by the promoters are not traded in the open market. As such, more than half of the shares is non-negotiable securities.

In addition, for listed companies that went public in the earlier days, shares held by the public cannot be traded in the open market until three years after the company has been listed. This further reduced the % of negotiable securities.

- (3) *Number of individual shareholders is relatively high:* The China securities market is primarily made up of individual investors and lack institutional investors. These individual investors are segmented, segregated and shareholding ratios are relatively low. In addition, other factors including geography, time-zone, etc., further restricts individual investors' participation in the management and significant-decision-making process of listed companies.
- (4) *Carving out.* Apart from the special characteristics of the company structure, another attribute specific to listed companies in China is the process of "carving out assets" during corporatization and initial public offering phase. In forming a listed company, promoters would normally "carve out" all or a portion of its operating assets (e.g. a factory, a workshop or even a production line) and contribute this into the listed company. Assets not attributable to operations and/or other remaining assets are generally left behind. Consequently, the promoters and the listed company still maintain on-going business relationships. For example, up-stream and down-stream in the supply and demand chain. As a result, significant related party transactions exist.

3. Legal framework related to corporate governance

Ever since 1992 when the CSRC was established, more than 300 law, regulations, rules, standards, and guidelines concerning the securities and futures market have been stipulated by the China legislative and administrative authorities. It has formed the fundamental framework of "Company Law" and "Securities Law". In addition, certain administration regulations supplement these laws. Together, they form the basis of the legal framework on securities and futures. Within this framework, three levels of rules relate to corporate governance:

- (1) Law promulgated by Congress (2): "Company Law of the People's Republic of China" and "Securities Law of the People's Republic of China".
- (2) Regulations promulgated by the State Council (5): "Provisional regulations on public offering and trading of stock", "Provisional regulations on prohibiting securities fraud", "Special regulations on joint-stock limited enterprises soliciting overseas listing", "Regulations on shares held by domestically listed joint-stock limited enterprises" and "Circular on strengthening of foreign listings and management of the listing process".
- (3) Rules, standards, etc. issued by various bureaux: including those issued by the CSRC, Ministry of Finance and other authorities. They include: "Implementation guidelines (provisional) on information disclosure for companies seeking public offering of stock", "Guidelines on Company Articles of Association", "Contents requirements on

Articles of Association for companies seeking foreign listings”, “Guidelines on contents of shareholders’ annual general meetings”, “Implementation guidelines on foreign shares of domestically listed joint-stock limited enterprises”, “Circular on strengthening certain behavior of listed companies”, etc.

II. Rules on Information Disclosure of Listed Companies

1. Timing and contents of statutorily required disclosures

In accordance with “Implementation guidelines on information disclosure for companies seeking public offering of stock” issued by the CSRC, listed companies must disclose the following information (not all inclusive) to the public:

Prospectus: prospectus must be examined and approved by the relevant government authorities. In addition, after it has been reviewed and approved by the CSRC, the issuer and the underwriter must disclose to the public information prescribed in the prospectus and its summary within 2-5 days prior to the offering period.

Offering circular: the issuer should disclose to the public, within 3 days prior to the initial public offering date, the executive summary of the offering circular or a summary of the offering circular (limited to 10,000 words or less).

Periodic reports: periodic reports refer to the annual report and interim reports. The annual report should be prepared and disclosed to the public within 4 months subsequent to the end of financial year. The interim report should be prepared and disclosed to the public within 2 months subsequent to the end of the sixth-month in the financial year. For those companies that float A & B shares concurrently, or list in domestic and foreign stock exchanges, then, the annual and interim reports must be made available to both foreign and domestic investors at the same time.

Special reports

Notice on significant matters: When an event that may significantly impact the market price of the stock exist, prior to the investors obtaining knowledge of such an event, the company should immediately prepare a notice on such a significant event. This notice should then be reported to the CSRC and the stock exchange within 1 day from occurrence. In addition, the nature and impact from this significant event should be disclosed to the public. If the company deems it appropriate to disclose a certain matter using the media, then it should first disclose to the CSRC the method and contents of such a disclosure. The CSRC can set certain requirements to the timing, nature and contents of the disclosure. Examples of significant events include: changes made to the articles of association, change in chairman of the board, general manager or more than 30% of the board members, change in auditors, or dismissal of certain board / supervisory committee resolutions under court order.

Notice on acquisition: any legal person, other than the promoter, directly or indirectly owning 30% or more of outstanding common stock of a certain listed company must make a complete offer to purchase all outstanding stock from other investors within 45 days from reaching such ownership percentage. A summary of the offering circular must be published in at least one national publication that is authorized by the CSRC.

Notice on clarification: If any events reported by the public media that may erroneously impact the market price of the stock, after obtaining knowledge of the matter, the company should immediately issue a notice clarifying the situation. In addition, the event should be reported to the CSRC and the stock exchange.

2. Means of information disclosure

Due to the large number of individual investors in the China securities market, and the fact that they reside in diverse locations, when listed companies disclose certain information to the public, in addition to making available such information at the company's registered premise, the stock exchange in which the company is listed, the relevant licensed brokers and their branches, it must also publish the report, in its entirety or summary, in a national publication authorized by the CSRC. In addition to the above, the company can also publish the matter in a publication other than the specified publication. However, the disclosure appearing in the specified-publication must not be later than that in the non-specified publication. The language used to disclose the matter in various publications must be consistent. If it is necessary to disclose the matter in English, then it must be published in an English-publication specified by the CSRC.

According to regulations, the company should not disclose relevant information in the form of Q&A.

In recent years, there has been an increasing number of companies going public in China. And the amount of disclosure required has also increased. This has added much burden to the specified-publications. This makes it difficult for investors to read. To alleviate the pressure, CSRC decided that starting from 1999, companies should publish annual reports using publications and on the internet concurrently. That is to publish summarized information on publications while the annual report in its entirety will be available on the internet. This change not only satisfy the needs of the public and investors alike in reading and obtaining key information on the company in a timely fashion, but also for individual and institutional investors, especially the latter, providing a means of obtaining the annual report in its entirety. This compensates the fact that in the past, the majority of the investors were not able to obtain the annual report in its entirety.

3. The role of board of directors, supervisory committee and auditors in information disclosure

Based on regulations, listed companies must appoint a specified person responsible for information disclosure. This includes communication with the CSRC, stock exchange, relevant brokers and managing relationships with the public media. He is also responsible for answering questions raised by the general public. Traditionally, the board of directors is ultimately responsible for information disclosure. The board of directors must make the following declaration in the prospectus, offering circular, annual report, interim report and other pertinent documents:

- To the best of their knowledge, they are not aware of any fraudulent, significant misleading statement or other significant omission of information
- In addition, they are wholly and individually responsible for the truthfulness, accuracy and completeness of information disclosed.

With respect to the financial information disclosed, according to “Accounting Law of the PRC”, the board of directors of listed companies are responsible for the accuracy and completeness of such information.

In actual practice, the task of disclosing information to the public is undertaken by the company secretariate. PRC listed companies do appoint company secretaries. This is a senior management position within the company and is appointed by the board of directors. Any board of directors and senior executives within the company are eligible for the position of company secretary. Independent accountants engaged by the company are not eligible for this position. Primary responsibilities of the company secretary include:

- To keep a full set of company records and all relevant documents;
- To ensure timely preparation and submission of all reports and documents required by the relevant authorities;
- To ensure that the share registration is properly set up and maintained;
- To ensure that all personnel and authorities eligible for copies of the company’s records and documents do obtain them timely.

The company secretary is responsible for the timeliness, accuracy, legality, truthfulness and completeness in information disclosure.

With respect to disclosing information for listed companies, the board of supervisors plays a key role in setting and monitoring policies and procedures. The board of supervisors in China is different from other countries’ being the lack of an audit committee. Consequently, the board of supervisors and the board of directors have similar authority levels. According to “Company Law”, joint-stock limited enterprises should set up board of supervisors consisting of no less than 3 members. Board of supervisors comprise of shareholders’ representative and a reasonable number of employee representative. Members of the board of directors, managers and finance controllers are not eligible for the positions. Responsibilities of the board of supervisors include:

- To review the financial position of the company;

- To undertake supervisory function when board members / managers of the company conduct illegal acts or violate clauses set forth in the company's articles of associations;
- To request that the board of directors / management make remedial action when they act against the interest of the company;
- To motion extra-ordinary shareholders' meetings.

The board of supervisors should also be present at board meetings. In actual practice, the board of supervisors submits its work report during the annual general meeting. In addition, matters concerning the management and the board of directors in carrying out their duties are disclosed in the periodic reports. This information, including monitoring the accuracy and completeness of information disclosure, is provided to all shareholders and relevant parties.

In order to ensure the accuracy and completeness of company financial information, and to enable management of the company to undertake financial activities legally and effectively, in addition to institute board of supervisors, Chinese listed companies should also set up internal audit policies. The policies require that the company to employ professional audit personnel. They monitor the company's financial and economic activities. The internal audit function and the roles and responsibilities of internal auditors should enact after they have been approved by the board of directors. The responsible auditor should report to the board directly.

Similar to other countries exercising market economy, listed companies in China are required to be audited by CPAs. Companies engage independent audit firms (auditors) to examine the financial statements of the company. According to the "Securities Law", auditors issuing audit opinions for listed companies should strictly abide by its statutory responsibilities and ensuring the truthfulness, accuracy and completeness of the audit report. In order to ensure that auditors fulfil their responsibilities, auditors engaged to undertake an audit have the following rights:

- To review the company's financial statements, records and journals;
- To request the board of directors, managers and other management executive provide relevant information and explanations;
- To attend the shareholders' meetings, obtain copies of the notices available at shareholders' meetings and any other relevant information related to the shareholders' meetings;
- To address any audit related matters during the shareholders' meetings.

In order to ensure that auditors remain independent, article 39 of the "Securities Law" specifies within 6 months of being engaged as independent auditors in a stock offering of a certain company, the audit firm and its employees are prohibited from trading the company's stock. For periodic reports of listed companies, from the date that the audit firm is engaged to 5-days after the announcement of the audit report, the audit firm and related certified public accountants are prohibited from trading the company's stock.

The relationship between the auditor and the company is that the appointment, continual appointment and dismissal of the audit firm, and the auditors' remuneration is determined during the shareholders' meetings. If the position of the company's auditors is vacant, then the board of directors has the right to engage an audit firm to fill the vacancy prior to the shareholders' meeting. The auditors' remuneration will be determined by the board of directors but subject to approval during the shareholders meeting. If an audit firm is dismissed or if the appointment is not renewed, then the audit firm should be notified in advance. In addition, this should be disclosed, together with the reason for the change, in a specified publication. Furthermore, the incident should be reported to the CSRC and the CICPA. The audit firm has the right to express its views during the shareholders' meeting. If the audit firm deem that the dismissal or non-renewal of appointment is without basis, then it can appeal to the CSRC and the CICPA. Audit firms resigning from an engagement should disclose whether they have uncovered any irregularities or not.

With respect to audit opinion, if the audit firm expresses an unqualified opinion with an explanatory paragraph, qualified opinion, adverse opinion or disclaimer, then the board of directors should disclose and address the matter in the shareholders' meeting. Also, according to CSRC regulations, if the above-mentioned matter arises, then the subject matter should be reported by the auditor to the CSRC and the stock exchange, detailing the background and reason for issuing such an audit opinion.

III. Accounting Standards and Regulations for Listed Companies

Traditionally, Chinese companies apply accounting regulations by industry. Different industries may adopt different accounting regulations. The Ministry of Finance is responsible for setting these accounting regulations. In 1992, the Ministry of Finance issued "Provisional Accounting Regulations for Joint-Stock Limited Enterprises". This then became the statutory accounting system for listed companies. By the end of 1992, the Ministry of Finance issued "(basic) Accounting Standards for Business Enterprise", but the issuance of (detailed) Accounting Standards were much delayed. With the rapid development of the securities market, business transactions became more and more complex. "Accounting Regulations for Joint-Stock Limited Enterprise" was not able to meet practical requirements. There was a call for detailed Accounting Standards. In 1996, earnings manipulation via related party transactions became more acute. However, there is no requirement or standard for the disclosure of related party transactions. In order to solve this problem, under much pressure exerted from all directions, in May 1997, the Ministry of Finance issued the first detailed Accounting Standard, being "Disclosure of Related Party Relationships and Transactions". Listed companies must adopt this accounting standard. In 1998, the Ministry of Finance issued eight detailed accounting standards. In 1999, an additional standard was issued. At the same time, amendments were made to "Provisional Accounting Regulations for Joint-Stock Limited Enterprises". As a result, "Accounting Regulations for Joint-Stock Limited Enterprises" was formulated. There are 9 detailed accounting standards already has issued :

- disclosure of related party relationship and transactions;
- cash flow statement;
- post balance sheet event;
- debt restructuring;
- revenue;
- investments;
- construction contracts;
- change in accounting policy, estimate and correction of errors; and
- non-monetary transactions.

As of today, both “Accounting Regulations for Joint-Stock Limited Enterprises” and various Accounting Standards co-exist as governing accounting regulations for listed companies.

Since the end of 1998, there has been another development in accounting standards applicable to listed companies. Due to impact from the Asian economic crisis and changes in the Chinese economy, in the last 10 years, listed companies have been experiencing difficulties in their operations and/or operating in the red. Certain companies were forced to close down. Listed companies are restructured more often than in the past. The accounting treatment for asset restructuring is not addressed in existing accounting standards / regulations. In addition, prudence is not emphasised in these standards. With this in mind, in December 1998, the Ministry of Finance issued a specific requirements, in the form of Q&A, regarding “Accounting Regulations for Joint-Stock Limited Enterprise” and certain other specific Accounting Standards”. In this publication, the date of acquisition for reporting purpose, and the requirement for companies to first comply with “Accounting Regulations for Joint-Stock Limited Enterprise” and other accounting standards was clarified. In 1999, the Ministry of Finance issued two publications on ‘Supplementary rules on certain accounting treatments when adopting “Accounting Regulations for Joint-Stock Limited Enterprise”’. Listed companies are now required to provide for enough provision for possible losses of short-term investments, receivables, inventory, and long-term investments. This requirement pushes the Chinese accounting practice one step closer to internationally accepted accounting standards. With the issuance of more specific accounting principles like these, accounting standards for listed companies are getting closer towards those of other countries with developed market economies.

IV. Accounting Profession and Information Disclosure of Listed Companies

The purpose of audit certifications provided by certified public accountants is an important means to ascertain quality of information provided by listed companies. The Chinese audit profession started relatively late. Since the auditing profession resumed business in 1980, it has been almost 20 years. The quality of certified public accounts have improved

considerably. This is especially true in recent years. CPAS is now playing a much vital role in ensuring proper information disclosure by listed companies.

1. Establishment of auditing standards

Under the China's regulatory framework, auditing standards are drafted by the Chinese Institute of Certified Public Accountants (CICPA) and issued by the Ministry of Finance. In 1994, the CICPA formed an independent committee responsible for drafting these standards. The first standard was drafted in this year. In 1995, the Ministry of Finance set up separate teams comprising local experts and foreign experts. Objectives of having these teams are to provide advice on feasibility of proposed standards. In addition, they also ensure that the committee has proper work plans and are working towards the appropriate direction. Furthermore, they also review initial drafts of any of these auditing standards, and provide critique. When a draft standard is completed, the CICPA would issue it in the form of exposure draft. Exposure drafts are circulated to all local associations of CPA's and CPA firms. After further amendments, the Ministry of Finance then issues final standards. The first batch of specific independent auditing standards promulgated by the Ministry of Finance in December 1995. In December 1996 and March 1999, the second and third batch of auditing standards were also issued.

As at today, the Ministry of Finance has issued a total of 3 batches of auditing standards, which is made up of 24 specific independent standards, 6 independent auditing practice pronouncements, general standard on professional ethics, general standard on continuing professional education and general standard on quality control. Publication of these standards promotes professional scepticism and enhances the level of professional ethics. As a result, people can find a relatively higher percentage of qualified opinions, adverse opinions and disclaimers have been rendered on the financial statements of listed companies in recent years. In addition, the CSRC and the general public has increased focuses on the importance of the audit opinion, and usefulness of audited financial information has been increasing substantially.

2. License to conduct audits and other services related to securities and futures

In order to ensure that CPA firms will conduct audits independently, objectively, fairly, and increase the quality of information disclosed by listed companies, the CSRC and the Ministry of Finance issued, in February 1993, a regulation on "Professional Qualifications of CPA Firms and CPA's Engaging in Audit and Other Services Related to Securities and Futures". Special licenses are needed for CPA firms and CPA's engaging in the above activities. At present, there are over 60,000 practising CPA's and 4,500 CPA firms. A fair amount of them are of poor quality. Their professional standard is relatively low and may be lack of professional ethics. Choosing a CPA firm that is sizeable, well-qualified, with high ethical standards, and with a strong sense of professional liability and risk management, forms a major step for proper information disclosure of listed companies. Currently, among the 4,500 CPA firms, only 106 are granted such kind of license. Within 60,000 CPA's, only approximately 2,000 are licensed. In reality, this form of regulatory

framework is suitable for the present environment in China and has contributed a lot to healthy development of securities market in general, and the proper information disclosure in specific.

3. Separation of CPA firms from State system

Because of some historical reasons, CPA firms in China were affiliated with government finance bureaux, universities or other government-owned entities, This system have seriously impaired the independence of CPA firms. In addition, it has clouded risk management concepts, created improper segmentation and supported non-competition. In order to ratify these flaws, the CSRC and the Ministry of Finance required in 1997 CPA firms to dis-associate themselves with these agencies. By the end of 1998, all of the 106 CPA firms having license to provide audit and other services related to securities and futures de-linked such kind of ties, and reorganized into partnerships or limited liability companies.

4. Inspection of sub-standard CPA firms and CPA's

In the meantime, with the cooperation from the Ministry of Finance and the CICPA, the CSRC has been penalizing those CPA firms and CPA's performing sub-standard work. Amongst the 20 odd cases publicised, CPA firms and CPA's involved have either received warnings, been fined, suspended to practice and/or disqualified to provide securities related services.

All these measures mentioned above have enhanced auditors independence, risk management concepts and professional standards. It has also increased the quality of information disclosed by listed companies. This has enhanced reliance placed by investors on auditors and has boosted confidence in securities market.

V. Disclosure of Related Party Transactions

1. Disclosure requirements of related party transactions

Since 1997, specific accounting standard on "Disclosure of Related Party Relationship and Transactions" was published and implemented on Chinese listed companies. This standard requires that when transactions are conducted between related parties, then the nature, type and other pertinent information of the transaction should be disclosed in the financial statements. Factors to be disclosed include the amount involved or applicable %, outstanding balance and the basis to determine transfer prices. If control exist, and if the related party is an enterprise, then regardless of whether transactions have been conducted between these parties, certain information (including primary operating scope, shareholding ratios and change in equity, etc.) should be clearly disclosed in the footnotes to the financial statements.

2. Monitoring related party transactions

The CSRC has placed much emphasis on the monitoring of related party transaction disclosures. If disclosures by a listed companies are inadequate, the Commission will request the company to publish supplementary notices to ratify and comply with related rules and standards. While reviewing applications for new shares offering and rights issues, the CSRC pay close attention to earnings manipulation via related party transaction. If necessary, decisions would be made based on adjusted financial indices.

Apart from the above, when the board is required to determine whether a transaction should be conducted with a majority shareholder, then the majority shareholder should abstain from the voting process.

VI. Internal Control Systems

In the last 30 years, all around the world, there has been increasing emphasis placed on strengthening internal control. There is a need to produce healthier corporate environments. Together with increasing demand from external sources, the need for sound internal control has been increasing and echoed. The fundamental objective of having sound internal control is to enable management to achieve its operating targets; safeguard the accuracy and completeness of company asset; prevent loss of assets; ensuring that operating and financial information produced are accurate and complete. In order to achieve these objectives, and especially when unhealthy internal control exists amongst most PRC companies, a new “Accounting Law” was issued in 1999. Based on this law, for the first time, companies are explicitly required to set up sound internal control systems. Ignoring this regulation is a criminal offence and those found to be in violation of the law would be subject to penalty.

In addition, the CSRC has also published some articles and regulations requiring listed companies to establish sound internal control systems. Listed companies’ supervisory board and independent auditors are also required to comment explicitly on the accuracy, reasonableness and effectiveness of the company’s internal control systems.

Appendix: China Stock Market Statistics

1. Number of Listed Companies

Categories of Company	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
A Shares only	10	14	35	140	227	242	431	627	727	822
A & B Shares			18	34	54	58	69	76	80	82
A & H Shares				3	6	11	14	17	18	19
Total of A Shares	10	14	53	177	287	311	514	720	825	923
B Shares only				6	4	12	16	25	26	26
A & B Shares			18	34	54	58	69	76	80	82
Total of B Shares			18	40	58	70	85	101	106	108
Total of Domestic Market	10	14	53	183	291	323	530	745	851	949
H Shares only				3	7	7	11	25	25	27
A & H Shares				3	6	11	14	17	18	19
Total of H Shares				6	13	18	25	42	43	46

2. Number of Shares Issued (Billion Shares)

Type of Shares	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
A	0.40	0.50	1.00	4.26	1.10	0.53	3.83	10.57	8.28	8.31	38.37
B			1.08	1.28	1.04	1.09	1.61	2.51	0.99	0.18	9.77
H				4.04	6.99	1.54	3.18	13.69	1.29	2.31	33.02
Total	0.40	0.50	2.08	9.58	9.13	3.16	8.61	26.76	10.56	10.79	81.16

3. Capital Raised (Billion Yuan)

Type of Shares	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
A	0.40	0.50	5.00	19.48	4.96	2.27	22.45	65.51	44.31	57.26	221.73
B			4.41	3.81	3.83	3.34	4.72	8.08	2.55	0.38	31.11
H				6.09	18.87	3.15	8.37	36.00	3.80	4.72	80.98
A B Rights Issue				8.16	5.02	6.28	7.00	19.80	33.50	32.10	111.84
Total	0.40	0.50	9.41	37.55	32.68	15.03	42.51	129.38	84.15	94.46	445.66

4. Turnover

	1992	1993	1994	1995	1996	1997	1998	1999
Volume (Billion Share)	3.80	23.42	101.33	705.47	253.33	256.08	214.54	293.24
Amount(Billion Yuan)	68.13	366.70	812.76	403.65	2,133.22	3,072.18	2,354.43	3,131.96

5. Turnover Ratio

Market	1992	1993	1994	1995	1996	1997	1998	1999
Shanghai Stock Exchange				519	760	535	355	422
Shenzhen Stock Exchange	265	324	692	310	950	662	411	372

6. Share Price Index

Index	1992	1993	1994	1995	1996	1997	1998	1999
Shanghai Stock Exchange Composite Index	780	834	648	555	917	1194	1147	1367
Shenzhen Stock Exchange Composite Index	241	238	141	113	327	381	344	402

7. PE Ratio

Market	1993	1994	1995	1996	1997	1998	1999
Shanghai Stock Exchange	42.48	23.45	15.70	31.32	39.86	34.38	38.13
Shenzhen Stock Exchange	42.69	10.28	9.46	35.42	41.24	32.31	37.56

8. Number of Investors (000)

1992	1993	1994	1995	1996	1997	1998	1999
2,166.50	7,776.60	10,589.80	12,424.70	23,072.30	33,333.30	39,111.30	44,811.90

9. Market Capitalization over GDP

Year	GDP (Billion Yuan)	Total Market Capitalization (TMC)		Negotiable Market Capitalization (NMC)	
		Amount (Billion Yuan)	TMC/GDP	Amount (Billion Yuan)	NMC/GDP
1992	2,663.81	104.81	3.93%		
1993	3,463.44	353.10	10.20%		
1994	4,675.94	369.06	7.89%	96.48	2.06%
1995	5,847.81	347.40	5.94%	93.79	1.60%
1996	6,788.46	984.24	14.50%	286.70	4.22%
1997	7,477.24	1,752.92	23.44%	520.44	6.96%
1998	7,955.28	1,950.56	24.52%	574.56	7.22%
1999	8,205.40	2,647.12	31.82%	821.40	9.87%