Executive Summary

The economic reform of China in 1980s and 1990s facilitates the formation of group-affiliated companies, who contribute to 60% of the nation's industrial output in early 2000s.

Since the formation of affiliation is so popular in China, this study will examine whether the affiliation can add value to the member firms. In addition, the contingent factors that may affect the effectiveness of group affiliation will also be studied. A sample of Chinese listed companies will be chosen, and the study is based on the information of 1073 listed companies in 2005. Data analysis and model construction will be conducted by econometrics method. The result confirms that the direct relationship between affiliation and firm performance is positive and significant, while some contingent factors exist and they will also affect the firm performance.

In Part I "Introduction", the reason for the appearance of business group in China will be introduced. In Part II "Literature Review", the terminology of "business group" and empirical research findings about the effect of business group will be discussed. In Part III, four hypotheses will be developed based on the literature review. Sample design, data selection and main variables will be introduced in Part IV "Methods". Part V "Results" is the core of this study. First of all, econometrics testing is adopted to ensure the data, based on which models are constructed, is efficient and valid. Secondly, six models are constructed in accordance with the Classical Normal Linear Regression method. Then based on the models, the conclusion of whether the hypotheses developed in Part III are supported is made. In the last part "Conclusion and Discussion", the research objective

will be reemphasized, the main conclusion will be drawn, and the limitation and suggestions on future studies will be discussed.