

# The role of Hong Kong as a financial and cultural centre and a world-class city in China

Lawrence Fok

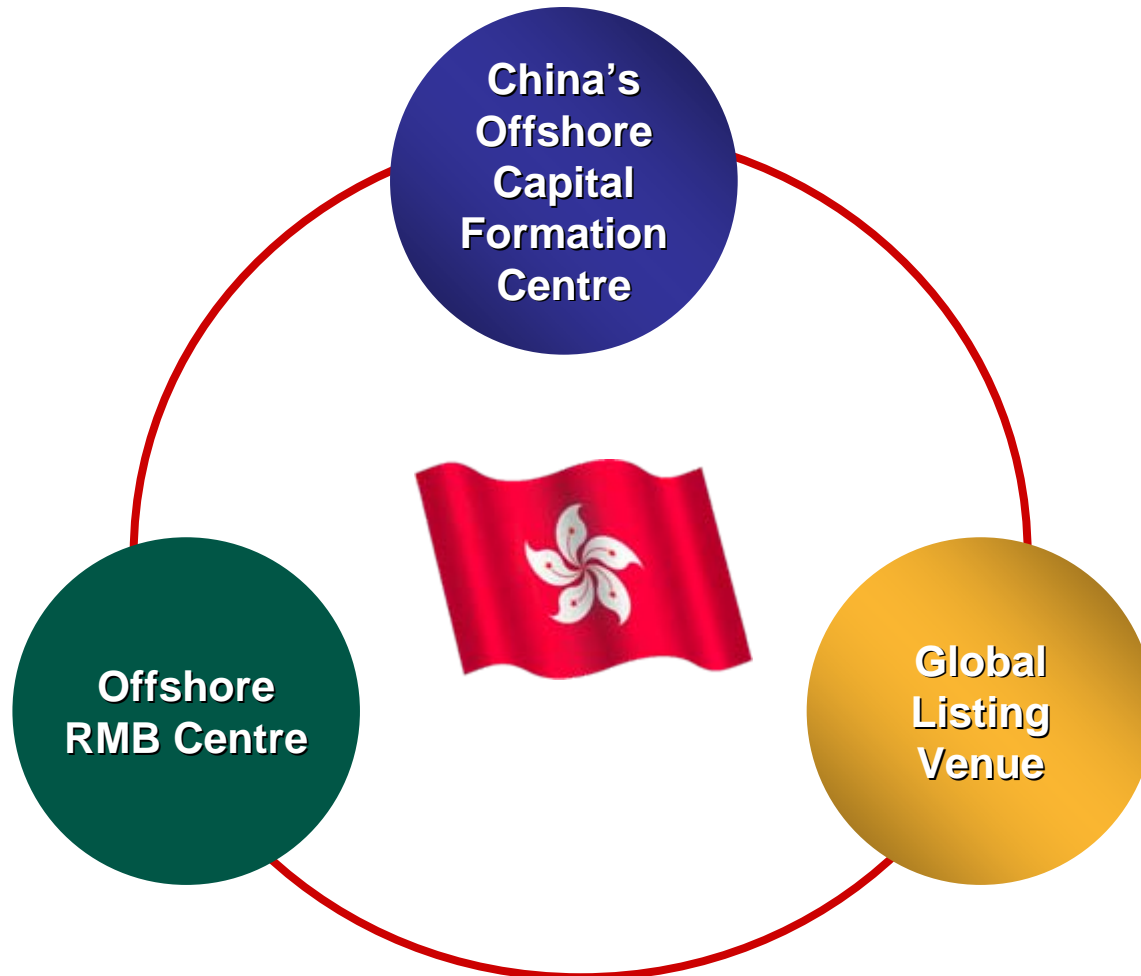
Hong Kong Exchanges and Clearing Limited

14 March 2011



# Our Vision for Hong Kong –

## An Entrenched and Evolving International Financial Centre



# HKEx's Strategic Vision – An Entrepôt of Financial Services



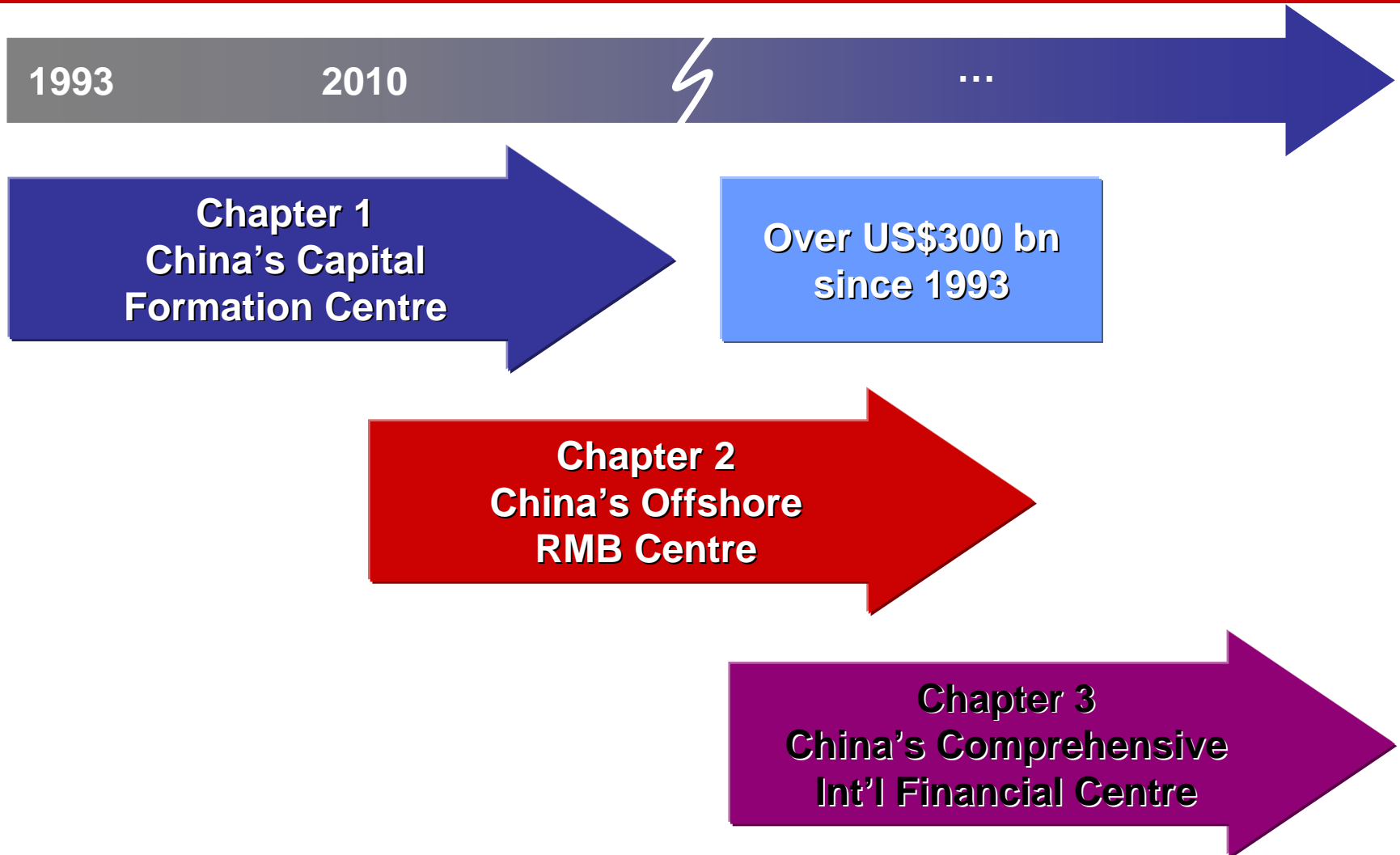
**The International Exchange of  
Choice for China Clients to  
Achieve Their Global Aspiration**

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***Our mission is to deliver on that vision***

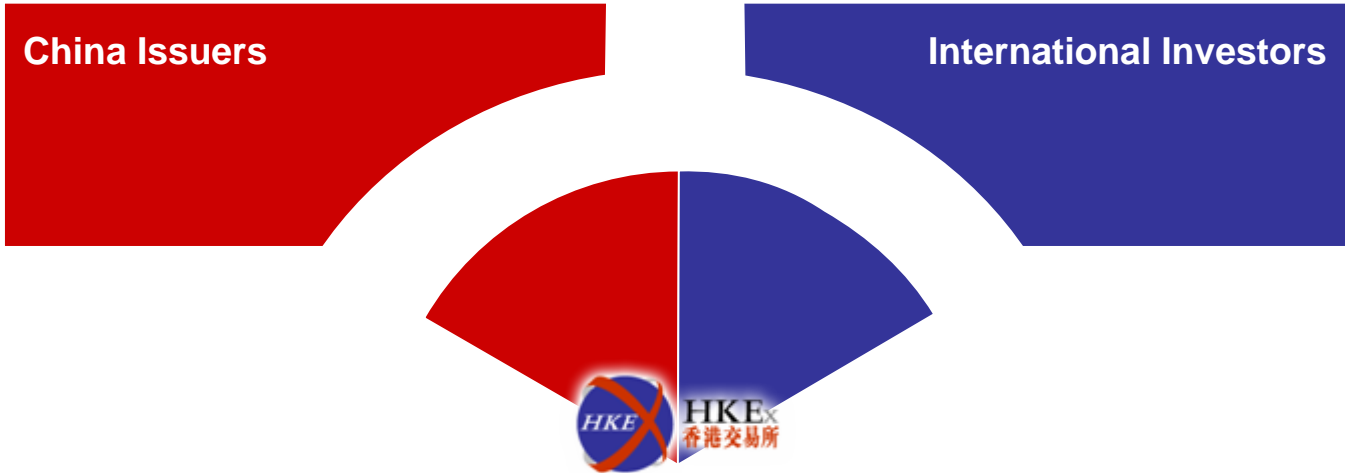
# HKEx's China and International Strategy – Moving on in Tandem with China's Need



# Chapter 1 – China’s Capital Formation Centre

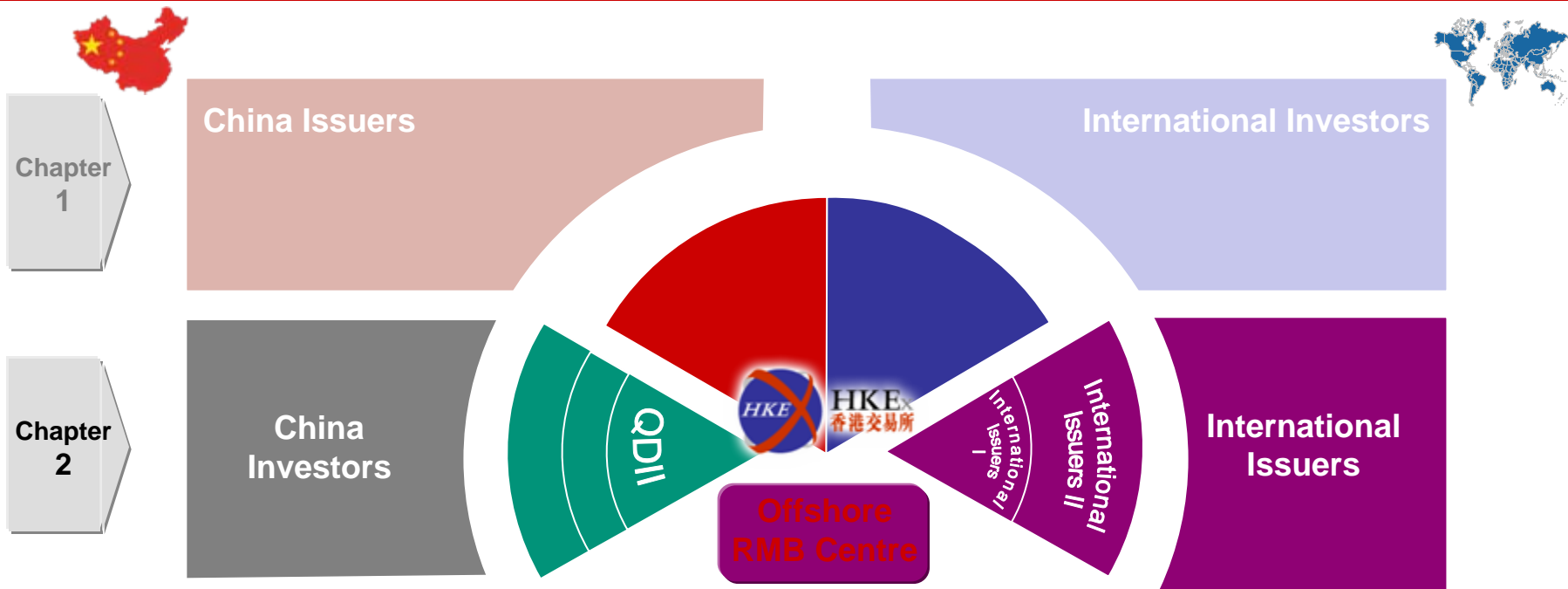


Chapter 1



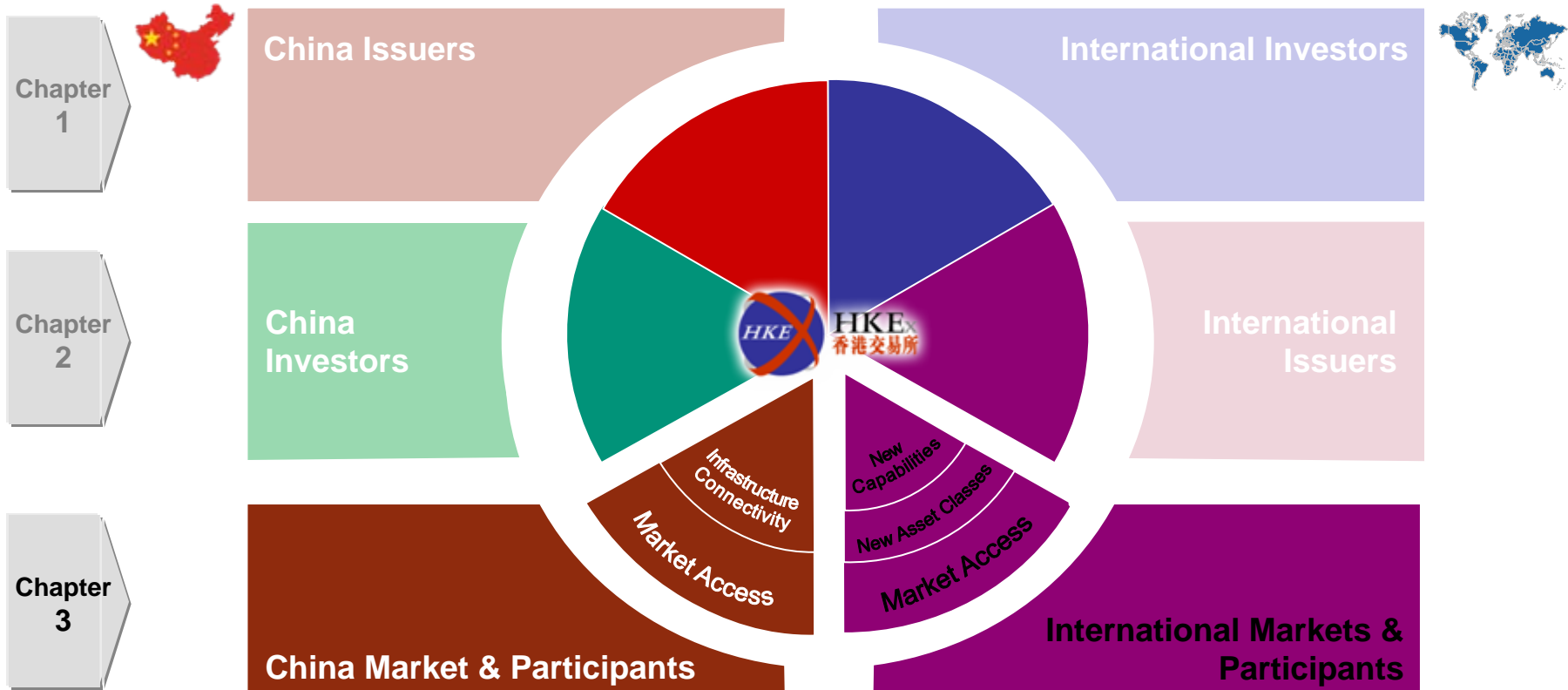
HK / HKEx Value Proposition	Products & Services	HKEx Capability
<ul style="list-style-type: none"> <li>China’s offshore capital formation centre</li> <li>International investors’ platform to access China</li> </ul>	<ul style="list-style-type: none"> <li>HK\$ equities</li> <li>HK\$ structured products</li> <li>HK\$ equity derivatives</li> </ul>	<ul style="list-style-type: none"> <li>Strong</li> </ul>

# Chapter 2 – China's Offshore RMB Centre



HK / HKEx Value Proposition	Products & Services	HKEx Capability
<ul style="list-style-type: none"> <li>■ Offshore RMB centre</li> <li>■ Test ground for RMB internationalisation</li> <li>■ Access to international listings for China investors</li> </ul>	<ul style="list-style-type: none"> <li>■ International listings</li> <li>■ RMB equity</li> <li>■ RMB bonds</li> <li>■ Listed RMB Structured Products</li> </ul>	<ul style="list-style-type: none"> <li>■ Developing</li> <li>■ Requires continued policy support</li> </ul>

# Chapter 3 – China’s Comprehensive International Financial Centre



HK / HKEx Value Proposition	Products & Services	HKEx Capability
<ul style="list-style-type: none"> <li>■ Leverage unique access to both sides</li> </ul>	<ul style="list-style-type: none"> <li>■ OTC clearing</li> <li>■ New asset classes</li> <li>■ Financial and commodities derivatives</li> </ul>	<ul style="list-style-type: none"> <li>■ Needs to be developed</li> </ul>

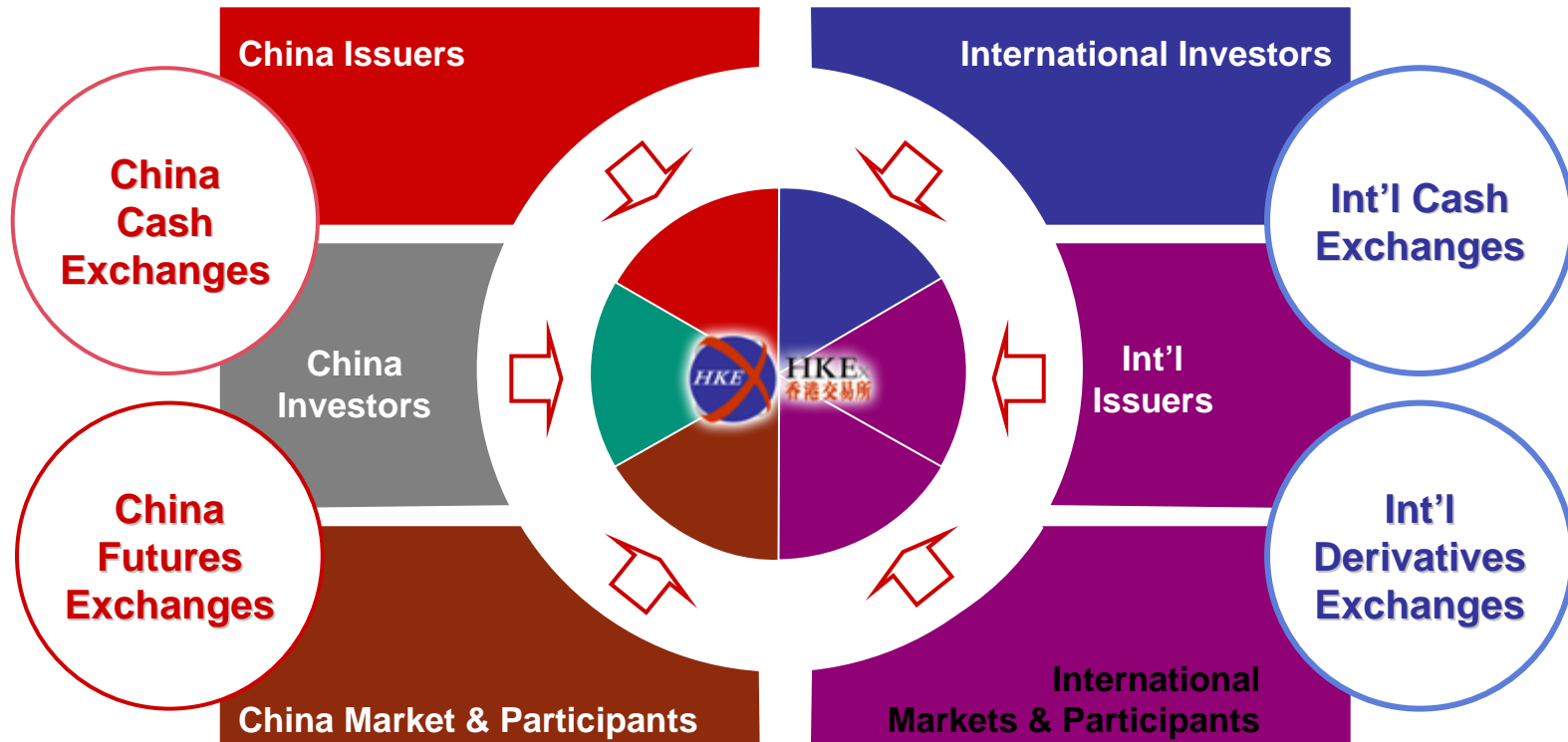
# Key Theme: Enhance Competence and Maximize the Unique Opportunity



CHAPTER 1

CHAPTER 2

CHAPTER 3





# HKEx Strategic Plan 2010-2012

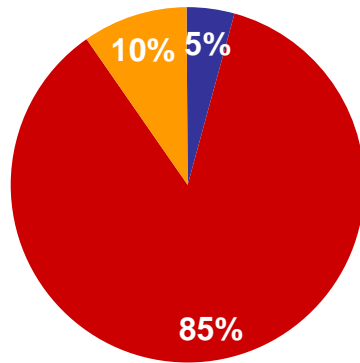


## A. Hong Kong is Transforming to Become a Global Listing Venue



**China's Offshore Listing Venue**

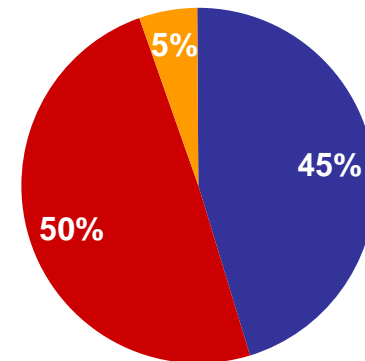
2007 IPO Funds Raised: HK\$292bn



- Mainland Enterprises
- International Listing
- Hong Kong

**Global Listing Venue**

2010 IPO Funds Raised: HK\$450bn



### 2005-07 Landmark IPOs

 <b>中国工商银行</b> ICBC US\$16.0bn	 <b>中国银行</b> BANK OF CHINA US\$11.1bn	 <b>中国建设银行</b> China Construction Bank US\$9.2bn
 <b>中信银行</b> CHINA CITIC BANK US\$4.2bn	 <b>中国神华</b> CHINA SHENHUA US\$3.3bn	 China Railway Group US\$2.8bn

### 2009-10 Landmark IPOs

 <b>AIA</b> US\$20.4bn US	 <b>中国农业银行</b> AGRICULTURAL BANK OF CHINA US\$12.0bn China	 <b>中国民生银行</b> CHINA MINGSHENG BANKING CORP. LTD. US\$4.0bn China
 <b>Sands 金沙</b> US\$2.5bn US	 <b>RUSAL</b> US\$2.2bn Russia	 <b>L'OCCITANE</b> EN PROVENCE US\$783mil France

Note: The above issuers are all Mainland Enterprises

# Competitive Advantages and Key Drivers for a Hong Kong Listing





International listings – Key Drivers	Examples		
China / Asia Nexus	 US\$20.4bil US	 US\$2.5bil US	 US\$2.2bil Russia
Alignment of Issuers' Growth Drivers and Shareholders	 US\$1.9bil US	 US\$783mil France	 US\$745mil Mongolia
Key Sectors – Financials, Natural Resources and Branded Consumer	 US\$393mil Mongolia	 Secondary Listing Brazil	 Secondary Listing UK
Spin-offs of Chinese / Asian Subsidiaries			
Growing Regional Investor Base			
Transparent and Efficient Listing Regime			

# HKEx Strategic Plan 2010-2012



## B: RMB Opportunities for HKEx

	Listed	OTC Derivatives
Products	<ul style="list-style-type: none"><li>■ RMB Bonds</li><li>■ REITs</li><li>■ NDF</li><li>■ RMB Equity and Equity-linked</li></ul>	<ul style="list-style-type: none"><li>■ NDF</li><li>■ IRS</li><li>■ Equity Derivatives</li><li>■ Commodities</li><li>■ CDS</li></ul>
Timing	Beginning	Developing
Opportunity for HKEx	 <ul style="list-style-type: none"><li>■ Listing</li><li>■ Trading</li><li>■ Clearing</li></ul>	 <ul style="list-style-type: none"><li>■ OTC Clearing</li></ul>

## C: Improve Platform Infrastructure and Market Structure

### 1. Invest in IT Infrastructure

- (a) Relocation of Data Centre
- (b) Hosting Services

### 2. Strengthen and Extend Clearing Franchise

- (a) Risk Management Measures Review
- (b) OTC Clearing

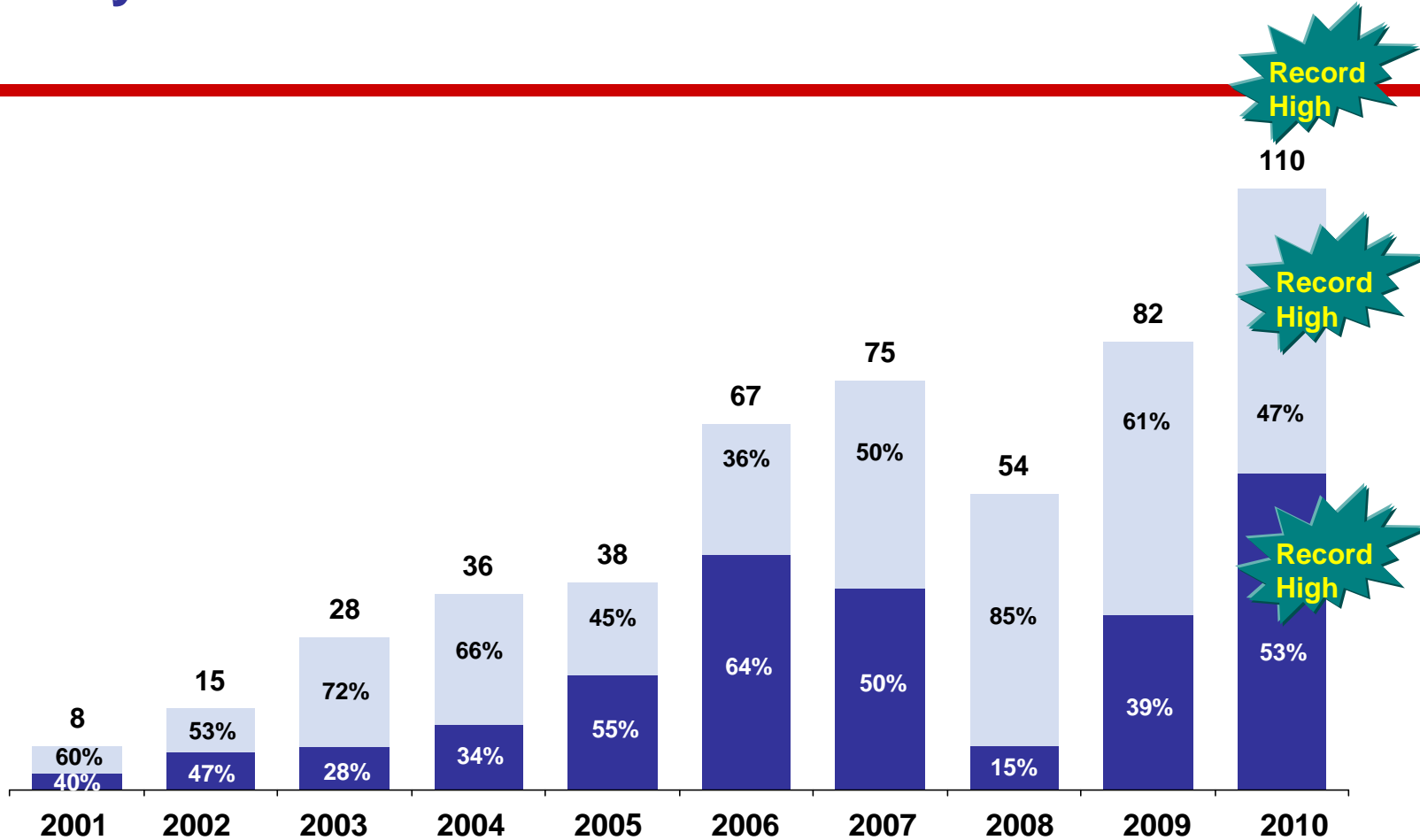
### 3. Improve Market Structure

- (a) Trading hours
- (b) Scripless securities market
- (c) After hours derivatives trading

# Strong IPO and Post IPO Fund Raising Capability



(USD bil)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
IPO	3	7	8	12	21	43	37	8	32	58
Follow-on	5	8	20	24	17	24	38	46	50	52

# Superior Liquidity

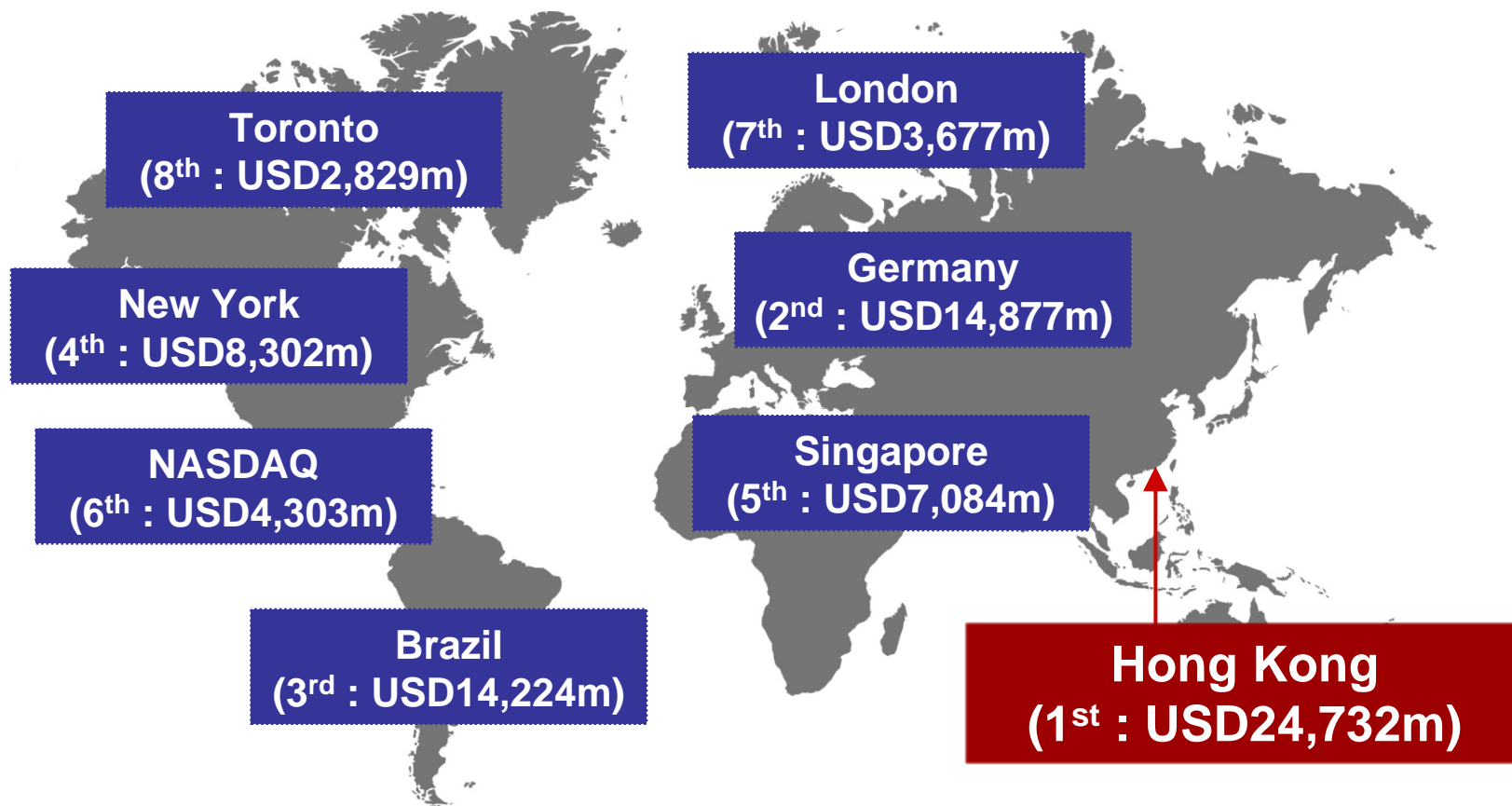


– Excluding Mainland China, only behind New York and Tokyo

## Average daily turnover of various stock exchanges

Exchange	2007 (USD bn)	08 Vs 07 % Change	2008 (USD bn)	09 Vs 08 % Change	2009 (USD bn)	10 Vs 09 % Change	2010 (USD bn)
HKEx	11.2	-18%	9.2	-13%	8.0	+10%	8.8
LSE	26.2	-40%	15.6	-51%	7.6	0%	7.6
TSX	6.3	+10%	7.0	-30%	4.9	+10%	5.4
Euronext (Paris)	10.6	-8%	9.8	-51%	4.8	+4%	5.0
SGX	1.6	-31%	1.1	-9%	1.0	+20%	1.2

# Market Value of Exchanges – We Worthed USD1,200 m in 2003



***Largest exchange globally by market capitalization, and #1 in IPOs***

Source: Bloomberg (as at 31 Jan 2011)

# The Differences and One of a Kind in China



1. Common law legal system and independent judiciary
2. Simple and low tax system
3. Complete free flow of capital
4. Offshore citizens of China
5. Dual languages, cosmopolitan, politically open
6. Relatively effective, efficient and orderly services



# West Kowloon Cultural District

## – Vision and Objectives



### Vision

- Provide quality culture, entertainment and tourism programmes with a must-visit appeal for both local and overseas visitors;
- Meet the long-term infrastructure needs of Hong Kong's arts and cultural development; and
- Become a cultural hub for attracting and nurturing talents and become a cultural gateway to the Pearl River Delta.

### Objectives

Among its objectives are:

- To facilitate the long-term development of Hong Kong as an international arts and cultural metropolis;
- To enhance the appreciation of a diverse and pluralistic range of the arts;
- To encourage wider participation by the local community in arts and culture;
- To facilitate the development of cultural and creative industries; and
- To strengthen the position of Hong Kong as a tourist destination.