

**Speech by SFST at IPO in Hong Kong Conference in Ho Chi Minh City
(English only)**

Friday, November 23, 2007

Following is a speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, titled "Hong Kong - The Premier Capital Formation Hub in Asia" at the IPO in Hong Kong Conference in Ho Chi Minh City, Vietnam, today (November 23) :

Dr Bang (Chairman, State Securities Commission of Vietnam), Mrs Tam (Vice President, Ho Chi Minh Stock Exchange), Ron, distinguished guests, ladies and gentlemen,

Good morning. It gives me much pleasure to attend the listing conference today and meet with so many distinguished government and business leaders of Vietnam. I would like to thank the State Securities Commission of Vietnam and the Hong Kong Exchanges and Clearing Limited (HKEx) for co-organising this conference. Today, I would like to share with you Hong Kong's experience as an international financial centre, and in particular a premier listing platform in the region.

As you are aware, the friendship between Vietnam and Hong Kong started decades ago. We are pleased to see the growing partnership between Vietnam and Hong Kong in a number of areas, including financial services. I know that HKEx has been organising a series of activities to promote the understanding of Hong Kong's securities market among government organisations and companies in Vietnam. I am sure the listing conference today, together with many events held or to be held, will bring Vietnam and Hong Kong closer together and strengthen our economic partnership. More importantly, we look forward to seeing Vietnamese enterprises making more and better use of the financial services in Hong Kong.

Economic Development in Vietnam

The economic developments in Vietnam in recent years are exciting and impressive. Since the introduction of economic reforms in the 1980s, the economy of Vietnam has made impressive strides, with the average GDP growing in real terms by an annual rate of 7.1% in the 1997 - 2006 period. The growth this year is even higher. The year-on-year growth in real terms in the first three quarters of this year reached 8.2%. It goes without saying that the significant progress in economic advancement is an outcome of the concerted efforts of the Vietnamese Government, business community and the people from all walks of life, which are widely recognised by the international community. Vietnam's accession to the WTO, a piece of news warmly welcomed by many around the globe, has also given a further boost to the Vietnamese economy.

Vietnam's economic outlook is indeed optimistic, with her solid agricultural base, fast-developing industries as well as the burgeoning financial industry. The growth potential of Vietnam is enormous. It is hence little wonder why The New York Times acclaims "Vietnam's Roaring Economy Is Set for World Stage" and CNN holds Vietnam to be "Asia's second-fastest-growing economy" taking the global stage.

Hong Kong as an International Financial Centre

How may Hong Kong contribute to Vietnam's path to assume an increasingly prominent role on the global stage?

As the international financial centre located at the heart of Asia, with strong global linkages, and with China as our resourceful hinterland, Hong Kong provides an unparalleled and unrivalled capital formation and global investment platform.

Hong Kong's success in maintaining our status as an international financial centre is anchored on our core values and fundamental strengths. These include our rule of law, free economy with no foreign exchange control, low and simple tax regime, efficient financial infrastructure, and regulatory framework that is on par with international standards and a critical mass of international investors. Also, we have been successful because we have an open economy, a business friendly environment and a "can-do" spirit that has served the city well in good times as well as in bad.

Of particular importance is that we have a rich pool of financial talent with international exposure and Mainland insight. A wealth of internationally well-known investment banks, law firms, accounting firms and other related professional institutions have based their Asian operations in Hong Kong. Some of them are with us today at this conference. This well testifies to the importance we attach to strengthening Vietnam - Hong Kong financial cooperation.

Hong Kong as the Bridge to Opportunities in Mainland China

This year we are celebrating the 10th anniversary of the establishment of the Hong Kong Special Administrative Region. In the decade since our return to our motherland, Hong Kong remains an attractive place for business and a preferred destination for foreign direct investment. Hong Kong has been ranked as the world's freest economy by the Heritage Foundation for the 13th consecutive year. We are the third most competitive economy following the US and Singapore, according to the World Competitiveness Yearbook 2007 of the International Institute for Management Development.

Being at the doorstep of China, Hong Kong is located at the best strategic location for being a gateway to the Mainland for foreign investors. Hong Kong is the top choice for foreign investors to tap the tremendous business opportunities in the Mainland of China. Hong Kong attracted foreign direct investment (FDI) valued at US\$42.9 billion in 2006, an increase of 28% on the previous year, and its second highest amount ever recorded. According to the "World Investment Report 2007" released by the United Nations Conference on Trade and Development, the economies of Hong Kong together with Mainland China, which was the largest FDI recipient, accounted for more than half of FDI inflows into the region last year.

Hong Kong is not only a magnet for cash and people but also enterprises all over the world, especially from Mainland China. A total of some 397 Mainland enterprises are listed in Hong Kong covering a wide spectrum of businesses, ranging from financial institutions, telecommunications, coal and gold mining, oil and gas, automobile manufacturing and garments to supermarkets. They represent about one third of the total number of our listed companies, 60% of the total market capitalisation and 67% of market turnover.

The Closer Economic Partnership Arrangement, or commonly known as CEPA, which has been implemented since 2004, has brought our economy closer to that of the Mainland. The CEPA provides mutual economic benefits for both the Mainland and Hong Kong, and through Hong Kong to international businesses established in Hong Kong. It provides Hong Kong enterprises, local or foreign owned, with "first mover" advantages to access the China market ahead of the WTO timetable. More importantly, it provides these enterprises with preferential treatment which is above and beyond China's WTO commitments. Investors who are eyeing the growing Mainland market will certainly find our equity market an ideal investment platform of magnetic attraction.

Under "One Country, Two Systems", Hong Kong is a unique city in China, with our own systems, distinct institutional strength, state-of-the-art infrastructure and an open economy. And on the financial services side, what distinguishes us from other cities in the Mainland is our position as an international financial centre, which makes Hong Kong your best platform for investing in the enormous and quickly expanding market of China. That's why China's 11th Five-Year Plan unequivocally indicates support for developing Hong Kong's financial services industry and maintaining Hong Kong's status as an international financial centre.

Hong Kong as a Preferred Listing Platform

With a market capitalisation of over US\$2,958 billion at the end of October 2007, Hong Kong's stock market is the seventh largest in the world and the third largest in Asia. In 2006, Hong Kong ranked second globally in terms of IPO funds raised, surpassing New York. Hong Kong's asset management business amounted to US\$789 billion at end 2006, representing a significant increase of 36% over 2005 and an accumulative growth of over 70% in the past two years. In banking, we are the world's 15th and Asia's third largest international banking centre and the sixth largest foreign exchange market. With 181 authorised insurers and total gross premiums of US\$20.3 billion, we have the highest concentration of insurers in Asia. These statistics speak of the depth and breadth of our financial services industry.

Hong Kong's success as a fund raising centre for Mainland enterprises shows the deep and large pool of liquidity in our market. We position ourselves as a fund raising centre for not just China, but also other parts of the world. In March this year, the Hong Kong Securities and Futures Commission and the HKEx published a joint policy statement regarding listing of overseas companies with a view to facilitating

listings of such companies. With the strong link between Hong Kong and Vietnam, and the great economic growth in Vietnam, I strongly encourage Vietnamese enterprises to make use of our listing platform to raise capital.

Needless to say, enterprises around the world are attracted to our capital market not just for efficient access to capital, but also for the corporate governance standards and Hong Kong's internationally recognised regulatory standards for the badge of quality. We are confident that with our extensive experience in financing the growth of enterprises in the Mainland of China, we are capable of providing equally quality service to Vietnamese enterprises, be they state-owned or private, seeking to tap the international market.

Recent Developments

Some recent developments on Mainland capital flows into Hong Kong also bode well for our financial market. Earlier this year, the Mainland authorities widened the scope of investment by Mainland commercial banks, fund management companies and securities firms as well as insurance companies to invest in or through Hong Kong under the Qualified Domestic Institutional Investors scheme, or QDII.

These developments reflect the Mainland's rapid economic expansion and growth in personal savings in recent years, as well as the corresponding increase in the demand for investment products and wealth management services in the Mainland. Hong Kong can be the ideal place where corporate issuers can tap Mainland capital.

Closing Remarks

Ladies and gentlemen, Hong Kong has an excellent track record in the provision of financial services and is well placed to serve as the preferred capital formation and global investment platform for Vietnamese enterprises. The listing conference today provides a useful platform in enhancing exchange and cooperation between the business and investment community in Vietnam and the financial services sector in Hong Kong. As the saying goes "seeing is believing", and I welcome you to come over to Hong Kong to see for yourselves what Hong Kong and its listing platform have to offer.

Finally, I wish the conference every success and all of you an enjoyable morning. I look forward to seeing you and welcoming you to do business in Hong Kong in future.

Thank you.

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