

Speech

SFST addresses at Polytechnic University DBA Nobel Laureates Forum (English only)

Tuesday, September 18, 2007

Following is a speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at Polytechnic University 70th Anniversary DBA Nobel Laureates Forum today (September 18):

The Honorable Victor Lo, Professor Poon, Professor Mundell, Professor Schelling, Professor Phelps, ladies and gentlemen,

Good evening. It gives me much pleasure to address the DBA Nobel Laureates Forum in celebration of the 70th anniversary of the Polytechnic University, which coincides with the 10th anniversary of Hong Kong's reunification with our Motherland this year.

Nowadays, all eyes are on how the emergence of the Mainland as the key economic engine has been shaping the global socio-economic landscape. Today's forum aptly provides a valuable platform to discuss the interaction between our country and the world economy. I am happy to take this opportunity to share with you how Hong Kong positions itself in relation to the remarkable growth in Mainland China.

The economic reform that has been taken place in the Mainland has been most impressive in its impact on the economy and society. Since its opening-up in the late 1970s, Mainland China's GDP has soared over 46 times. In 2006, our country's GDP reached US\$2.6 trillion, securing her position as the world's 4th largest economy. The Mainland represents a huge market of 1.3 billion people attaining an average annual economic growth rate of 9.2% in the past 10 years, with GDP growth in 2006 hitting 11.1%.

Hong Kong is best placed to facilitate the economic transformation of the Mainland and tap the opportunities in this fast-moving economy. Our policy goal is to continue building Hong Kong as our country's International Financial Centre (IFC). We have adopted a multi-prong strategy to take forward this policy by furthering our economic integration with the Mainland, and by implementing measures that will link up Hong Kong's financial market with that of the Mainland for mutual benefit as well as for supporting the continual growth of the Mainland economy.

(1) 11th Five-year Plan - Action Agenda

The 11th Five-Year Plan clearly indicates support for developing Hong Kong's financial services industry and maintaining Hong Kong's status as an IFC. The Action Agenda proposed by Focus Group on Financial Services formed under the Economic Summit on "China's 11th Five-year Plan and the Development of Hong Kong" announced early this year a package of 80 recommendations aiming to build Hong Kong as our country's IFC, some of which have been implemented such as the QDII and renminbi bond. We will continue to work closely with the industry and relevant organisations to implement these recommendations.

(2) Consolidating Hong Kong's position as Asia's leading Asset Management Centre

To encourage the growth of our asset management business, we have abolished the estate duty and exempted offshore funds from profits tax in the past year. These measures have begun to bear fruits. Hong Kong's asset management business amounted to HK\$6,154 billion (or US\$789 billion) at end 2006, representing a remarkable increase of 36% over 2005 and an accumulative growth of over 70% in the past two years.

The prospect of Hong Kong's asset management business is exciting. With Mainland's rapid economic expansion and growth in personal savings in recent years, the demand for investment products and wealth management in the Mainland has increased significantly. The recent expansion of the scope of QDII clearly reflects the need for the Mainland authorities to facilitate the outflow of capital in an orderly manner.

On top of that, the State Administration of Foreign Exchange's policy to launch a pilot scheme to allow Mainland individuals to invest in securities listed on Hong Kong stock market through specific channels, not only offers exciting business opportunities for the financial services industry of Hong Kong, but also facilitates the long-term development of Hong Kong as the premier asset management centre for the Mainland.

(3) Broadening the source of listed companies

Asset management aside, Hong Kong has established its position firmly as the premier capital formation centre for Mainland China. As at end-July 2007, 382 Mainland enterprises were listed on our stock exchange, accounting for 32% of the total number of listed companies. The market capitalisation of Mainland enterprises accounts for about 54% of total market value; and the turnover of Mainland enterprises accounted for about 64% of daily turnover on the exchange.

There is, of course, no room for complacency. Indeed, we have been stepping up our efforts to cement Hong Kong's position as a preferred listing venue. In March this year, the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited published a joint policy statement regarding the listing of overseas companies to facilitate overseas companies seeking a primary listing in Hong Kong. The Exchange also spares no efforts in organising on-going marketing visits to the Mainland and other jurisdictions, including Vietnam, Thailand, Malaysia, Kazakhstan, Russia, South Korea and Taiwan.

(4) Expanding Renminbi (RMB) business

Hong Kong is the first place outside the Mainland to have banks providing renminbi services. Since 2004, the renminbi business has been developing progressively. In June 2007, the first renminbi bond in Hong Kong was successfully launched, making Hong Kong the first place outside the Mainland which possesses a renminbi bond market.

The exciting development of renminbi business in Hong Kong is beneficial to both the Mainland and Hong Kong's financial markets. It provides a robust and reliable testing platform for the use of renminbi in international financial transactions and for the renminbi to achieve full convertibility.

Ladies and gentlemen, Hong Kong has been serving as a premier international financial intermediary for Mainland companies and investors to connect with their foreign counterparts and vice versa. In the course of the Mainland's rapid economic development, we see our role gaining more significance, in particular in contributing to the financial services development of our country, thanks to our fundamental strengths built over the years and the successful implementation of "One Country, Two Systems".

In closing, I wish the Forum a great success and all of you a fruitful and enjoyable evening. I also look forward to the insightful presentations by the Nobel Laureates on how best Hong Kong could further contribute to and capitalise on the rise of the Mainland. Thank you.