



Hong Kong Business Summit 99

“Hong Kong, China: Into Next Millennium”

**“The Role of Financial Services Industry in
the Future Hong Kong Economy”**

by

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Signs of Recovery in Hong Kong

- ◆ GDP picking up - 99Q2 at 0.7% and 99Q3 at 4.5%
- ◆ Property prices stabilizing
- ◆ Tourist arrivals rebounding + Walt Disney theme park
- ◆ Overall trade surplus in 1998 and 1999H1
- ◆ Between end-1998 and end-Nov 1999, HSI up 53.0%, signalling economic recovery
- ◆ Clear policies to improve competitiveness through privatization and reform
- ◆ GDP forecast for 2000 - OECD at 4.0% and IMF at 3.6%



Asian crisis - growth slowed, but not as bad in USD terms

Real GDP Growth Rate (%)

	IN LOCAL CURRENCY			IN USD
	1997	1998	1999*	1999 over 1997
Hong Kong	5.0	-5.1	1.8	-3.6
Singapore	8.0	1.5	5.0	-6.9
Taiwan	6.8	4.8	5.2	-2.0
S. Korea	5.5	-5.8	9.0	-19.8
Thailand	-1.3	-9.4	4.0	-25.5
Malaysia	7.5	-7.5	2.0	-31.4
Indonesia	4.9	-13.7	5.0	-68.5
Philippines	5.2	-0.5	3.0	-23.4

Remarks: * for Hong Kong : latest Government forecast in Nov 99;
for other economies : latest ADB forecast in Nov 99;
exchange rates for 1999 are the averages of Jan-Nov 1999



1998/99: Reform after Crisis

- ◆ **Demutualization & Merger**
 - **In progress and on track - Merger bill in Legco**
- ◆ **Technology & Infrastructure Reforms**
 - ❖ **SCEFI Report being implemented.**
- ◆ **Legislative Reform**
 - **To be submitted to Legco by December 1999**



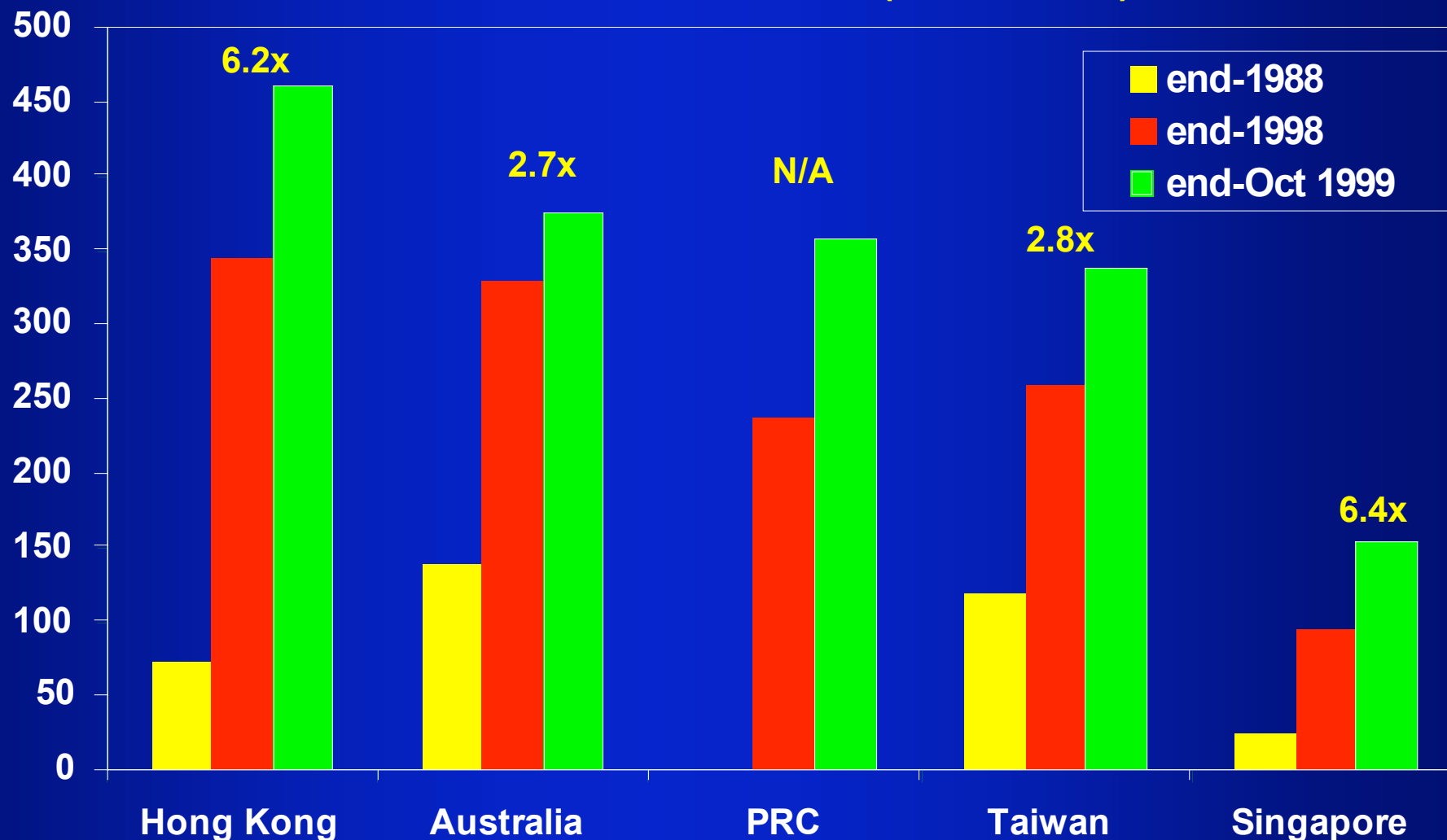
Stock Market Performance

	Stock Market Indices		% change	
	end-Jun 97	end-Nov 99	end-Jun 97 to end-Nov 99 in local currency	end-Jun 97 to end-Nov 99 in USD
Hong Kong	15197	15377	1.2	0.9
Singapore	1921	2237	16.4	-1.1
Taiwan	9030	7721	-14.5	-24.9
S. Korea	745	997	33.7	2.4
Thailand	527	422	-19.9	-49.2
Malaysia	1077	735	-31.8	-54.7
Indonesia	725	584	-19.4	-73.2
Philippines	2809	1979	-29.5	-54.6
Australia	2726	3044	11.7	-5.9



Regional Market Capitalisation

Leader in Asia Pacific (US\$ billion)



Remark: x = increase from end-1988 to end-Oct 1999

Source : FIBV and IFC



SEHK Market Cap Will Increase Significantly Next Year (US\$ billion)

	As of	Proposed	
	end-Nov	Listings	Listings
	1999		
Proposed			
Completed			
TOTAL	526.2	52.3	578.5
<i>Red-Chips + China Telecom (a)</i>	<i>80.9</i>	<i>15.6</i>	<i>96.5</i>
<i>H-shares (b)</i>	<i>5.8</i>	<i>21.0</i>	<i>26.8</i>
China-related shares (a) + (b)	86.7	36.6	123.3
Non-China-related companies proposed to be listed (HKEC, MTRC and GEM)	0.7	15.7	16.4



HK financial markets - dramatic structural changes

- ◆ MPF coming onstream
- ◆ TraHKer Fund transformed fund management market - largest index stock fund in Asia - HK\$33 bn
- ◆ GEM poised to attract high growth companies to list in Hong Kong
- ◆ 107 venture capital funds managing US\$10.7 bn in 1997, one-third of total venture capital funds in Asia
- ◆ SEHK/NASDAQ link by early 2000
- ◆ Other strategic alliances matter of time



Meeting competition through the Web

- ◆ **ATS & ECNs invading exchange business**
- ◆ **Global alliances emerging**
- ◆ **Internet trading rapidly being adopted in HK**
- ◆ **Internet banking in pipeline**
- ◆ **Web-friendly eFrastructure designed and will be implemented within 2 years**

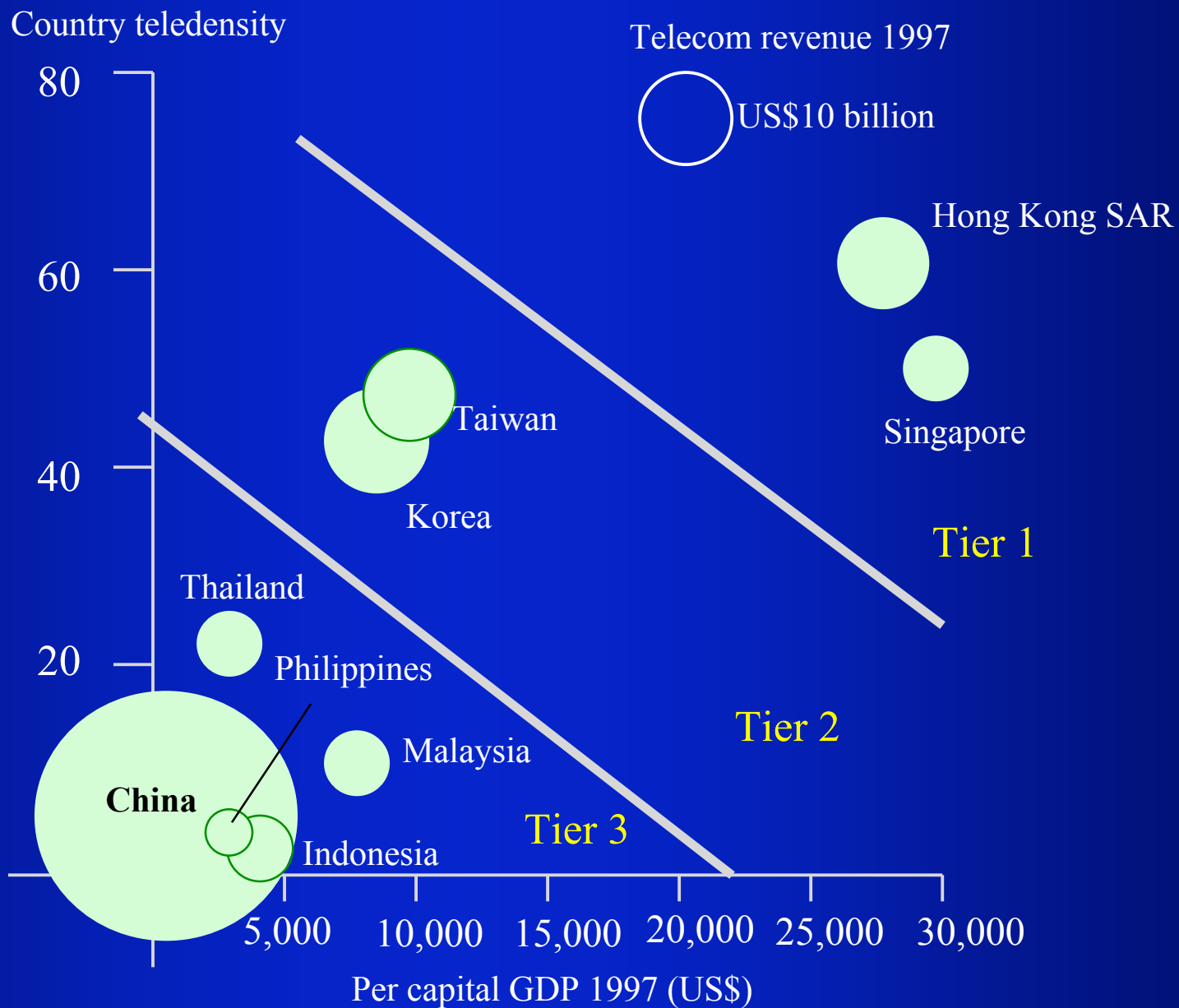


Hong Kong - Market Opportunities

- ◆ **WTO access for Mainland creates opportunities for HK**
- ◆ **Hong Kong is Manhattan to Pearl River Delta**
- ◆ **Shenzhen emerging as hi-tech centre for Mainland due to proximity to Hong Kong**
- ◆ **Best broadband infrastructure with 135 ISPs**
- ◆ **12th IT usage economy in world (4th in Asia)**
- ◆ **Open and free press - key to deep financial markets**

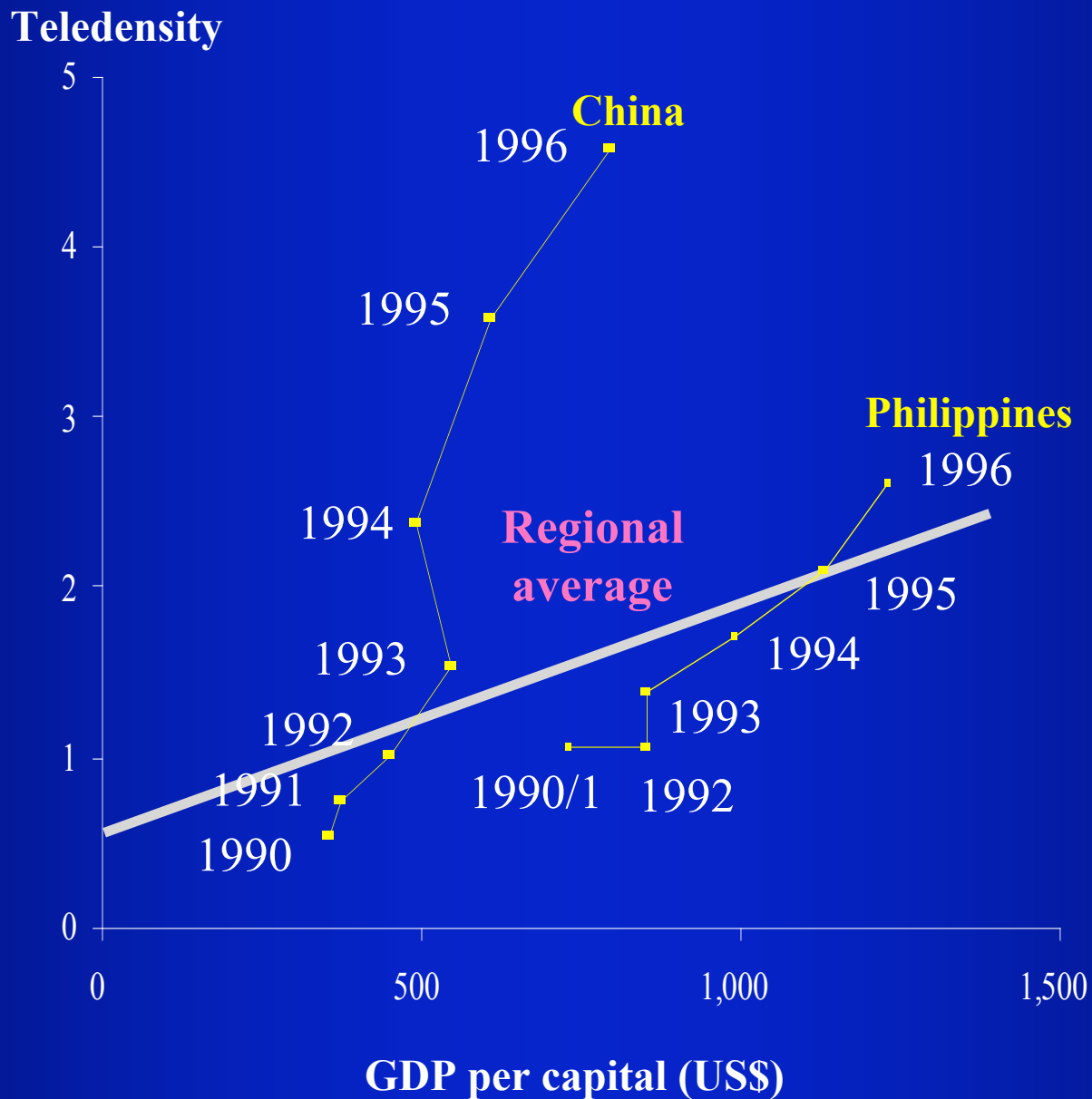


Relative Development of Asian Telecom Markets, 1997



Source: EIU forecast of 1997 GDP; ITU teledensity data

Growth in Teledensity, China and Philippines



Source: ITU



Hong Kong Portal for Financial Services

- ◆ Most liquid pool of risk capital in Asia
- ◆ International financial regulatory standards
- ◆ Low tax base, no capital gains tax, high disclosure environment, deep professional and retail base of investors
- ◆ eTrading in financial services will accelerate globally & in Asia
- ◆ Hong Kong is gearing up to provide eBanking & eTrading